

# Executive Summary



## Introduction

The Fiscal Year 2012 Adopted Budget continues the corrective fiscal actions that began in Fiscal Year 2007 and continued through Fiscal Years 2008, 2009, 2010, and 2011. In February 2011, the Mayor released an update to his Five-Year Financial Outlook, which projected a General Fund shortfall of \$56.7 million in Fiscal Year 2012. This deficit has been addressed in the Fiscal Year 2012 Adopted Budget through the fiscal measures and corrective actions described in this section.

## City Budget Overview

The City of San Diego's Fiscal Year 2012 Adopted Budget of \$2.80 billion is comprised of six operating fund type

categories (General Fund, Special Revenue Funds, Debt Service and Tax Funds, Capital Project Funds, Enterprise Funds, and Internal Service Funds) and the Capital Improvements Program (CIP). **Table 1** shows the change in budgeted expenditures for operations from Fiscal Year 2011 to Fiscal Year 2012 by fund type and for the CIP.

**Table 1: Total City Expenditure Changes Fiscal Years 2011 - 2012 by Fund Type/Program**

Fund Type	FY 2011 Adopted Budget	FY 2012 Adopted Budget	Change	Percent Change
General Fund <sup>1</sup>	\$ 1,096,228,151	\$ 1,128,388,274	\$ 32,160,123	2.9%
Special Revenue Funds <sup>2</sup>	353,783,049	426,017,094	72,234,045	20.4%
Debt Service and Tax Funds <sup>3</sup>	5,964,097	3,759,273	(2,204,824)	(37.0)%
Capital Project Funds <sup>4</sup>	8,894,441	17,228,815	8,334,374	93.7%
Enterprise Funds	884,026,175	896,505,965	12,479,790	1.4%
Internal Service Funds	107,756,485	115,371,614	7,615,129	7.1%
Capital Improvements Program	299,619,898	208,051,727	(91,568,171)	(30.6)%
<b>Total</b>	<b>\$ 2,756,272,296</b>	<b>\$ 2,795,322,762</b>	<b>\$ 39,050,466</b>	<b>1.4%</b>

<sup>1</sup> The Fiscal Year 2012 Adopted General Fund expenditures budget does not match the General Fund revenue budget primarily due to the use of fund balance for the Community Projects, Programs, and Services appropriations, which are budgeted in each Council District.

<sup>2</sup> The Fiscal Year 2012 Adopted Budget includes appropriations for the Cooperation Agreement (for payment of costs associated with certain Redevelopment Agency funded projects), entered into by the City and the Redevelopment Agency.

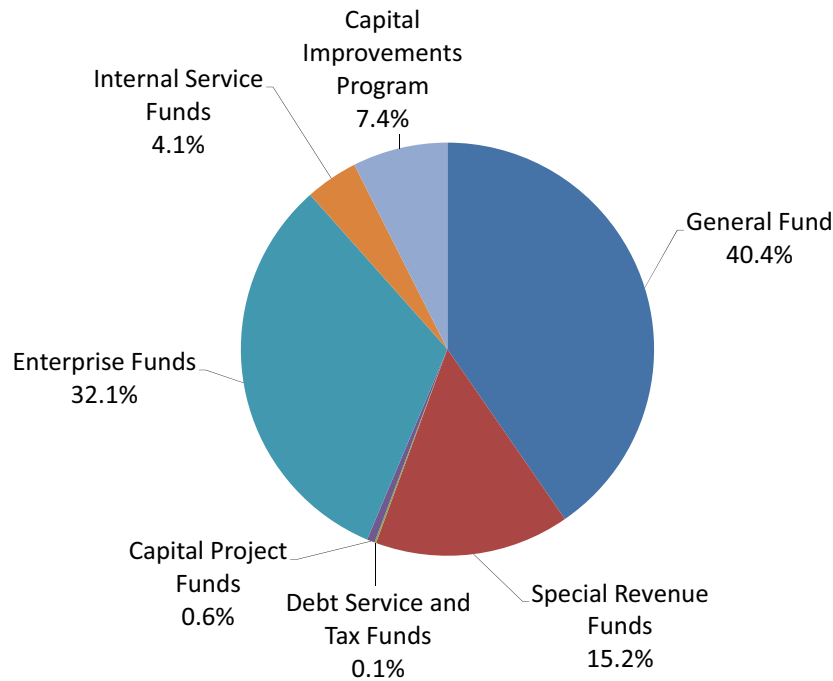
<sup>3</sup> Includes debt service obligations for General Obligation Bonds and Tax and Revenue Anticipation Notes (TRANS). All other debt service obligations of the City related to the financing and issuance of bonds are budgeted within the departments' operating budgets.

<sup>4</sup> The Fiscal Year 2011 Adopted Budget and the Fiscal Year 2012 Adopted Budget include the fund type restructure of the TransNet Extension Fund from Special Revenue Funds to Capital Project Funds.

# Executive Summary

**Figure 1** displays the Fiscal Year 2012 Adopted Expenditure Budget by fund type or program.

**Figure 1: Fiscal Year 2012 Adopted Expenditure Budget by Fund Type**



**Table 2** presents the changes in budgeted revenues from Fiscal Year 2011 to Fiscal Year 2012 by fund type.

**Table 2: Total City Revenue Changes Fiscal Years 2011 - 2012 by Fund Type**

Fund Type	FY 2011 Adopted Budget	FY 2012 Adopted Budget	Change	Percent Change
General Fund <sup>1</sup>	\$ 1,096,228,151	\$ 1,126,603,066	\$ 30,374,915	2.8%
Special Revenue Funds <sup>2</sup>	308,933,162	379,737,672	70,804,510	22.9%
Debt Service and Tax Funds	5,564,460	1,558,150	(4,006,310)	(72.0)%
Capital Project Funds <sup>3</sup>	22,354,599	38,442,633	16,088,034	72.0%
Enterprise Funds	1,138,724,611	1,098,086,611	(40,638,000)	(3.6)%
Internal Service Funds	109,258,944	122,767,874	13,508,930	12.4%
<b>Total<sup>4</sup></b>	<b>\$ 2,681,063,927</b>	<b>\$ 2,767,196,006</b>	<b>\$ 86,132,079</b>	<b>3.2%</b>

<sup>1</sup> The Fiscal Year 2012 Adopted General Fund expenditures budget does not match the General Fund revenue budget primarily due to the use of fund balance for the Community Projects, Programs, and Services appropriations, which are budgeted in each Council District.

<sup>2</sup> The Fiscal Year 2012 Adopted Budget includes revenue for the Cooperation Agreement (for payment of costs associated with certain Redevelopment Agency funded projects), entered into by the City and the Redevelopment Agency.

<sup>3</sup> The Fiscal Year 2011 Adopted Budget and the Fiscal Year 2012 Adopted Budget include the fund type restructure of the TransNet Extension Fund from Special Revenue Funds to Capital Project Funds.

<sup>4</sup> Non-General Fund operating revenues may be less than operating expenditures due to the use of fund balance.

## General Fund

Departments within the General Fund provide core community services, such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees.

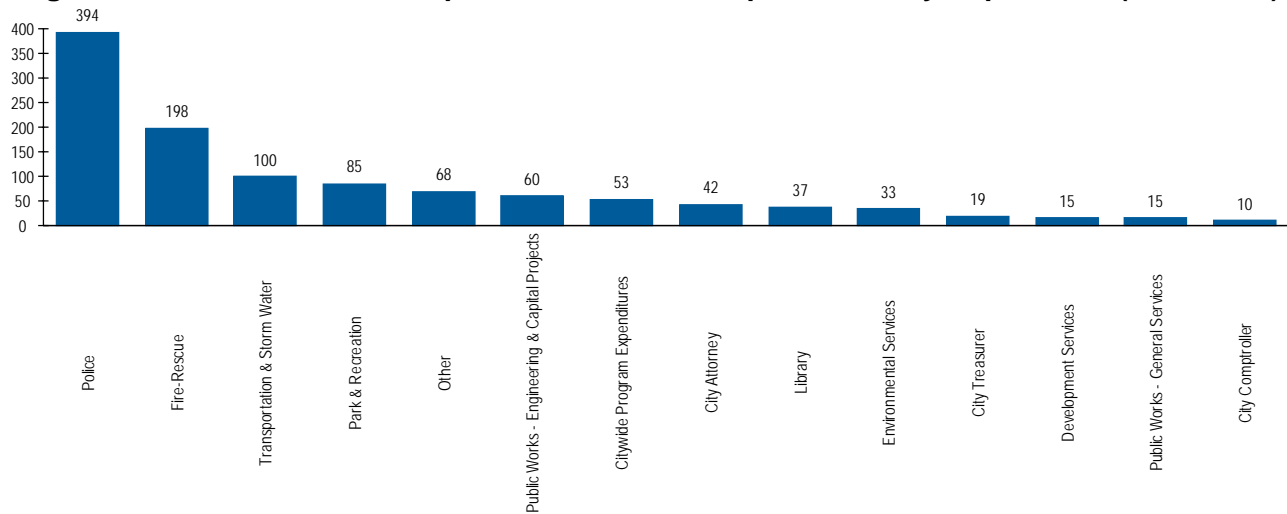


The City's Fiscal Year 2012 Adopted Budget reflects General Fund expenditures totaling \$1.13 billion, representing an increase of \$32.2 million or 2.9 percent over the Fiscal Year 2011 Adopted Budget. The Fiscal Year 2012 Adopted General Fund Budget includes 7,036.61 budgeted full-time equivalent (FTE) positions, a net decrease of 31.37 FTE positions from the Fiscal Year 2011 Adopted General Fund Budget. The net decrease in General Fund positions is primarily due to the reduction of 68.68 FTE positions resulting from various departmental reductions, including the elimination of 20 vacant sworn Police personnel and other miscellaneous reductions. In addition, included in the Fiscal Year 2012 Adopted General Fund Budget is the addition of positions related to the restructure of the Community Development Block Grant (CDBG) administration from the Housing and Urban Development (HUD) Programs Administration Fund to the General Fund, for the Parking Meter Utilization Improvement Program approved by City Council, and for lifeguards at Black's Beach funded through an agreement with the University of California San Diego (UCSD).

**Figure 2** summarizes the Fiscal Year 2012 Adopted General Fund budgeted expenses by department. Only those departments with a total General Fund expenditure budget of over \$10.0 million are displayed. All other General Fund departments are combined in the "Other" category. For a complete review of the expenditures by department in the General Fund, refer to the Financial Summary and Schedules section of this volume.

# Executive Summary

**Figure 2: Fiscal Year 2012 Adopted General Fund Expenditures by Department (in Millions)**



**Note:** The Other category includes: Administration, Business Office, City Auditor, City Clerk, City Council, Debt Management, Department of Information Technology, Disability Services, Economic Development, Ethics Commission, Financial Management, Human Resources, Office of Homeland Security, Office of the Assistant COO, Office of the Chief Financial Officer, Office of the Chief Operating Officer, Office of the IBA, Office of the Mayor, Personnel, Public Utilities, Purchasing & Contracting, and Real Estate Assets.

## Debt Service and Tax Funds

Debt Service Funds are used for the payment of principal and interest on the Series 1991 General Obligation Bonds for Public Safety Communication Project. Fiscal Year 2012 is the final year of payment for these bonds. The Tax Fund contains monies to pay for note interest and costs of issuance for the annual General Fund Tax and Revenue Anticipation Notes (TRANS) cash flow borrowing. The Fiscal Year 2012 Adopted Budget for Debt Service and Tax Funds totals \$3.8 million, which represents a decrease of approximately \$2.2 million or 37 percent from the Fiscal Year 2011 Adopted Budget. The \$2.2 million decrease is attributable to the TRANS budget, which has a lower budget of \$1.4 million in Fiscal Year 2012 due to differences in the TRANS features compared to the note offering in Fiscal Year 2011.

Debt service for all other City related financings, including General Fund lease revenue bonds and water and wastewater revenue bonds, are budgeted within the departments' operating budgets.

## Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. This fiscal year's budget is comprised of the Capital Outlay Fund, TransNet Extension Fund, and TransNet ARRA Exchange Fund. The Fiscal Year 2012 Adopted Budget for Capital Project Funds is \$17.2 million, which is an increase of \$8.3 million or 93.7 percent from the Fiscal Year 2011 Adopted Budget. This increase is due to (1) the one-time TransNet ARRA (American Recovery and Reinvestment Act of 2009) funds for streets-related maintenance and (2) the capital projects' debt service payment from the Capital Outlay Fund.

## Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger funds include Gas Tax and Transient Occupancy Tax (TOT). The Fiscal Year 2012 Adopted Operating Budget for Special Revenue Funds is \$443.2 million, representing an increase of \$80.6 million or 22.2 percent from the Fiscal Year 2011 Adopted Budget. The net increase of \$80.6 million is due to (1) the inclusion of appropriations for the Cooperation Agreement between the City

# Executive Summary

and the Redevelopment Agency, which are to be utilized for the implementation of redevelopment projects, programs, and activities; (2) the increase in expenditures in the Fire/Emergency Medical Services Transport Program Fund associated with the transfer of the Emergency Medical Services fund balance to the Fire-Rescue Department, and (3) the increase in expenditures in the TOT Fund related to the reimbursement of the General Fund for expenditures associated with the safety and maintenance of visitor-related facilities.

## Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2012 Adopted Operating Budget for all Enterprise Funds is \$896.5 million, representing an increase of \$12.5 million or 1.4 percent from the Fiscal Year 2011 Adopted Budget. This increase is primarily the result of the following changes:

- The Public Utilities budget includes a net expenditure increase of approximately \$13.3 million primarily due to an increase in costs related to water purchases and increases in supplies and contracts expenditures based on an analysis of prior year spending trends.
- Other Enterprise Fund departments decreased by \$0.8 million.

## Internal Service Funds

Internal Service Funds are created to finance and account for services provided by one City department to another City department. Services provided by Internal Service Fund departments are paid by fees or fund transfers. The Fiscal Year 2012 Adopted Budget for Internal Service Funds totals \$115.4 million, which is an increase of \$7.6 million or 7.1 percent from the Fiscal Year 2011 Adopted Budget. The net increase of \$7.6 million is primarily due to an increase in the Fleet Services Replacement Fund. In Fiscal Year 2011, a one-time reduction was made to the fleet replacement budget. The Fiscal Year 2012 Adopted Budget for the Fleet Services Replacement Fund reflects the costs needed to adequately fund the replacement of vehicles that are financed or cash-funded in Fiscal Year 2012.

## Capital Improvements Program

The Capital Improvements Program (CIP) budget allocates existing funds and anticipated revenues to rehabilitate, restore, improve, enhance, and increase the City's capital facilities. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), development impact fees, Mission Bay lease revenue, and other City enterprise funds. The Fiscal Year 2012 Adopted CIP Budget totals \$208.0 million. This is a reduction of \$91.6 million or 30.6 percent from the \$299.6 million added to the multi-year CIP in the Fiscal Year 2011 Adopted CIP Budget. This reduction is primarily due to Public Utilities' assessment of project spending and execution rates, which led to a reprioritization of projects for Fiscal Year 2012.

The CIP budget identifies and separates funding that was uncertain to be received at the time the budget was proposed. This funding may be appropriated during the fiscal year when the funding is received and is reflected as Anticipated in the CIP project pages. For Fiscal Year 2012, an additional \$195.4 million of funding for CIP projects is anticipated but not appropriated through this budget. Fiscal Year 2012 Anticipated funding includes approximately \$100.0 million of bond financing that is anticipated to come before Council in late Fiscal Year 2012 to support deferred capital projects. The remaining anticipated funding includes a variety of other funding sources such as donations, grants, and Facilities Benefit Assessments.



# Executive Summary

## Summary of Major General Fund Budget Changes

This section shows the major contributors to the \$30.4 million or 2.8 percent increase in revenues and the \$32.2 million or 2.9 percent increase in expenditures in the General Fund in the Fiscal Year 2012 Adopted Budget. The Fiscal Year 2012 Adopted General Fund revenues and expenditures budget totals do not match due to the use of fund balance primarily for the Community Projects, Programs, and Services appropriations, which are included in each Council District's budget.

### General Fund Revenues

The four largest revenue sources in major General Fund revenues – property tax, sales tax, transient occupancy tax (TOT), and franchise fees – account for approximately \$735.1 million or 65.2 percent of the total General Fund revenues. These four major revenues have increased \$24.2 million in the Fiscal Year 2012 Adopted Budget from the Fiscal Year 2011 Adopted Budget, while all other General Fund revenues have increased \$6.1 million.

In Fiscal Year 2012 property tax is budgeted at \$380.9 million, a decrease of \$9.2 million or 2.3 percent from the Fiscal Year 2011 Adopted Budget. The Fiscal Year 2012 Adopted Budget for property tax revenue is based upon the assumption of continuing negative trends experienced in revenue during Fiscal Year 2011 due to declines in assessed value and increases in refunds from both commercial and residential properties. This revenue decline is offset by forecasted increases in the other three major revenues. Sales tax is budgeted at \$211.6 million, which represents an increase of \$24.1 million or 12.9 percent from the Fiscal Year 2011 Adopted Budget. However, this is a 2.5 percent increase over estimated Fiscal Year 2011 year-end actual results. This growth is due to increases in sales tax revenue that have been experienced in Fiscal Year 2011 from Fiscal Year 2010 revenue amounts, in addition to the forecasted growth in sales tax revenue projected in Fiscal Year 2012. Transient Occupancy Tax (TOT) is budgeted at \$74.8 million, an increase of \$8.7 million or 13.1 percent from the Fiscal Year 2011 Adopted Budget due to increases in local tourism and business travel. This, however, represents a 4.0 percent increase over Fiscal Year 2011 year-end projected actual TOT revenue. Franchise Fees are budgeted at \$67.8 million, an increase of \$0.6 million or 0.9 percent from the Fiscal Year 2011 Adopted Budget due mainly to an increase in cable television franchise fee payments to the City.

In addition, the Fiscal Year 2012 General Fund revenues include \$11.8 million of one-time revenue from the Transportation & Storm Water Department for street-related work that was re-budgeted in Fiscal Year 2012 due to Gas Tax reimbursement savings in Fiscal Year 2011.

These Fiscal Year 2012 major revenues were based on Fiscal Year 2011 year-end projections and economic data through May 2011, the most recent information available at the time the budget was prepared. However, since the adoption of the Fiscal Year 2012 Budget there has been increased economic uncertainty in the U.S. that may impact the recovery the City experienced in Fiscal Year 2011. General Fund revenues will continue to be monitored during Fiscal Year 2012 and, if necessary, the budget will be modified.

**Table 3** displays the major changes to General Fund revenues from the Fiscal Year 2011 Adopted Budget to the Fiscal Year 2012 Adopted Budget.

**Table 3: General Fund Revenue Adjustment Over Fiscal Year 2011 Adopted Budget**

Major Revenue Categories	(in millions)
Property Tax	\$ (9.2)
Sales Tax	24.1

# Executive Summary

**Table 3: General Fund Revenue Adjustment Over Fiscal Year 2011 Adopted Budget (Cont'd)**

Major Revenue Categories	(in millions)
Safety Sales Tax	(1.3)
Transient Occupancy Tax	8.7
Property Transfer Tax	0.5
Franchise Fees	0.6
Interest Earnings	0.2
Motor Vehicle License Fees	0.1
Other Revenue Increases and Budgetary Adjustments	6.7
<b>Total Revenue Adjustments<sup>1</sup></b>	<b>\$ 30.4</b>

<sup>1</sup> Refer to General Fund Revenue section of this document for more detailed information regarding General Fund revenue increase.

## General Fund Expenditures

The net increase in the Fiscal Year 2012 Adopted General Fund Expenditures Budget is primarily due to the following: re-budgeting of \$11.8 million in appropriations associated with Gas Tax reimbursements for street-related work; the \$11.5 million restoration of eight fire engine companies to end Fire-Rescue's rolling brown-outs implemented in Fiscal Years 2010 and 2011 as an expenditure reduction to balance the budget; the \$8.0 million repayment obligation related to the financing of the McGuigan Settlement; the \$6.7 million restoration of Fleet usage and assignments fees charged to General Fund departments due to the use of fund balance in Fiscal Year 2011; and the restructure of the CDBG administration from the HUD Programs Administration Fund to the General Fund. Also, projected vacancy savings for Fiscal Year 2012 was reduced by \$7.3 million, resulting in a budgetary increase in personnel expenditures. Partially offsetting these increases are various departmental reductions totaling \$19.3 million, which include the elimination of 20 vacant sworn Police personnel, the reduction of the General Fund transfer to the Police Decentralization Fund due to sufficient fund balance to cover booking costs, and savings resulting from the Managed Competition of Publishing Services. The General Fund departmental reductions also included a reduction of 68.68 full-time equivalent (FTE) positions.

**Table 4** displays the major changes to General Fund expenditures from the Fiscal Year 2011 Adopted Budget to the Fiscal Year 2012 Adopted Budget.

**Table 4: General Fund Expenditure Adjustment Over Fiscal Year 2011 Adopted Budget**

Major Expenditure Adjustments	(in millions)
FY 2012 Departmental Reductions	\$ (19.3)
General Fund Appropriated Reserve	(4.1)
Booking Fees - Transfer to Police Decentralization	(4.0)
Retiree Health Care Contribution	(1.4)
Long Term Disability Reserve	(1.2)
Public Liability Transfer	(0.6)
Publishing Services Managed Competition Savings	(0.2)
Rebudget of Gas Tax	11.8
Restoration of Fire Engine Companies to end Fire-Rescue Rolling Brown-Outs	11.5
McGuigan Settlement Payment	8.0
Vacancy Savings Adjustment	7.3
Fleet Usage and Assignments Fees	6.7
Election Cost	2.7
Litigation and Outside Legal Cost	2.5
CDBG Administration Restructure	2.0

# Executive Summary

**Table 4: General Fund Expenditure Adjustment Over Fiscal Year 2011 Adopted Budget (Cont'd)**

Major Expenditure Adjustments	(in millions)
Fire Alert System	1.7
Council Districts - CPPS	1.6
Non-Discretionary (insurance, energy, debt service, etc)	1.5
Support for ADA Capital Projects	1.5
Support for SRM Module	0.9
Lifeguard Positions and Training	0.5
Parking Meter Utilization Program	0.5
Black's Beach Lifeguards	0.4
Property Tax Administration Fee	0.4
Interim Computer Aided Dispatch (CAD) System	0.3
Animal Services Contract	0.3
Other Expenditure Adjustments	0.9
<b>Total Expenditure Adjustments</b>	<b>\$ 32.2</b>

**Table 5** represents the expenditure change in the General Fund from the Fiscal Year 2011 Adopted Budget to the Fiscal Year 2012 Adopted Budget.

**Table 5: General Fund Expenditure Summary Fiscal Years 2011 - 2012**

	FY 2011 Adopted Budget	FY 2012 Adopted Budget
Total General Fund Budget	1,096,228,151	1,128,388,274
Percent Change from Previous Year	(3.0)%	2.9%

**Table 6** identifies the allocation of General Fund dollars to the Police and Fire-Rescue Departments compared to the other General Fund departments. In Fiscal Year 2012, the General Fund Adopted Budget increased by approximately \$32.2 million or 2.9 percent from Fiscal Year 2011, with the Police and Fire-Rescue Departments receiving approximately 52.4 percent of the total General Fund expenditures and other General Fund departments receiving 47.6 percent of the total General Fund expenditures.

**Table 6: General Fund Expenditure Summary Fiscal Years 2011 - 2012 by Category**

	FY 2011 Adopted Budget	FY 2012 Adopted Budget
Police and Fire-Rescue Budgets	\$ 566,746,272	\$ 591,674,302
Percent of Total General Fund Budget	51.7%	52.4%
Other General Fund Department Budgets	\$ 529,481,879	\$ 536,713,972
Percent of Total General Fund Budget	48.3%	47.6%

## Total City Personnel

The Fiscal Year 2012 Adopted Budget includes a total of 10,108.26 FTE positions with 7,036.61 or 69.6 percent of these positions budgeted within the General Fund. **Table 7** presents the change in positions from Fiscal Year 2011 to Fiscal Year 2012.



# Executive Summary

**Table 7: Total City FTE Position Changes Fiscal Year 2011 - 2012**

Fund Type	FY 2011 Adopted Budget	Additions	Reductions	Reorganizations	FY 2012 Adopted Budget	Change	Percent Change
General Fund	7,067.98	22.89	(71.69) <sup>1</sup>	17.43	7,036.61	(31.37)	(0.4)%
Special Revenue Funds	272.58	5.00	(4.97)	(13.01)	259.60	(12.98)	(4.8)%
Enterprise Funds	2,427.93	0.50	(52.59)	(4.42)	2,371.42	(56.51)	(2.3)%
Internal Service Funds	391.36	0.75	(13.49)	-	378.62	(12.74)	(3.3)%
Other Funds	62.24	-	(0.24)	-	62.00	(0.24)	(0.4)%
<b>TOTAL</b>	<b>10,222.09</b>	<b>29.14</b>	<b>(142.97)</b>	<b>-</b>	<b>10,108.26</b>	<b>(113.84)</b>	<b>(1.1)%</b>

<sup>1</sup> Includes the elimination of 68.68 FTE positions due to the departmental reductions implemented to mitigate the projected General Fund shortfall of \$56.7 million identified in the Five-Year Financial Outlook for Fiscal Year 2012.

The Fiscal Year 2012 Adopted Budget represents a net reduction in the City's budget of 113.84 FTE positions from the Fiscal Year 2011 Adopted Budget. The net reduction is a result of eliminating approximately 143 filled and vacant positions and the addition of approximately 29 positions. The eliminated positions are positions that are no longer funded in the City's budget and represent a real reduction in labor costs. The position additions are primarily due to increases for the Parking Meter Utilization Program, Black's Beach Lifeguards, Lifeguard relief, and Information Technology support.

As shown in **Table 7**, of the nearly 31 position net change to the General Fund, approximately 17 positions were transferred from the Special Revenue Funds, 23 positions are new, and 72 positions have been reduced (for a detailed look at the reductions in the General Fund, please refer to the Corrective Actions portion of this section). The nearly 13 position net change to the Special Revenue Funds is the result of approximately 17 positions transferred to the General Fund and 4 positions transferred from various Enterprise Funds, 5 new positions, and 5 positions being reduced. Of nearly 57 positions that were reduced from the Enterprise Funds, approximately 1 position was transferred from the General Fund and 6 were transferred to the General Fund and Special Revenue Funds, 1 position is new, and 53 positions have been reduced. In the Internal Service Funds, approximately 1 position is new and 13 positions have been reduced.

**Table 8** further illustrates the adopted budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type. A total of \$678.4 million has been budgeted for salaries and wages, and \$414.9 million budgeted for fringe expenditures resulting in a total budget of \$1.09 billion in personnel expenditures citywide.

**Table 8: Fiscal Year 2012 Adopted Personnel Expenditures Budget**

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
General Fund	7,036.61	\$ 504,467,250	\$ 308,903,433	\$ 813,370,683
Special Revenue Funds	259.60	17,985,467	10,903,825	28,889,292
Enterprise Funds	2,371.42	131,061,330	79,498,297	210,559,627
Internal Service Funds	378.62	20,440,373	12,972,576	33,412,949

# Executive Summary

**Table 8: Fiscal Year 2012 Adopted Personnel Expenditures Budget (Cont'd)**

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
Other Funds	62.00	4,407,584	2,607,477	7,015,061
<b>Total</b>	<b>10,108.26</b>	<b>\$ 678,362,004</b>	<b>\$ 414,885,608</b>	<b>\$ 1,093,247,612</b>

**Table 9** shows the change in the number of budgeted positions in the General Fund over the last two fiscal years. In Fiscal Year 2012, General Fund positions decreased by 31.37 FTE positions or approximately 0.4 percent from the Fiscal Year 2011 Adopted Budget. This net decrease is primarily due to departmental reductions in support of mitigating the projected Fiscal Year 2012 budget deficit and additions related to the CDBG Administration restructure, the Parking Meter Utilization Program, and the Underground Surcharge Fund restructure.

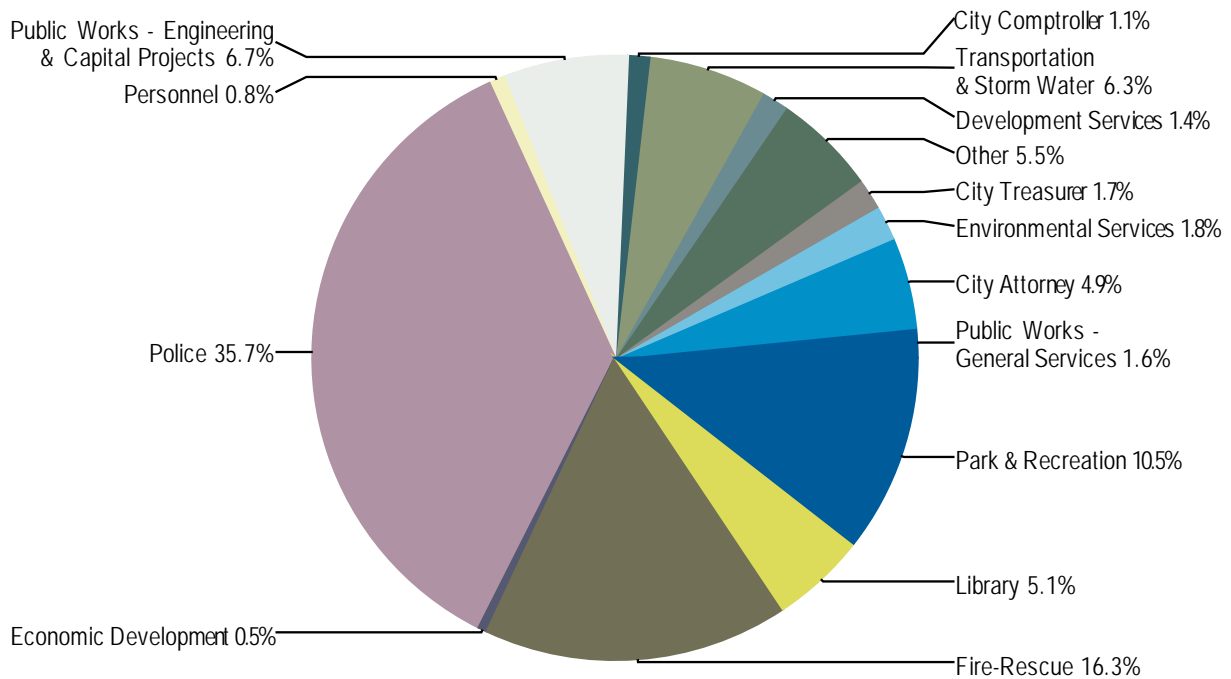
**Table 9: General Fund FTE Position Summary Fiscal Years 2011 - 2012**

	FY 2011 Adopted Budget	FY 2012 Adopted Budget
Total General Fund Budgeted FTE Positions	7,067.98	7,036.61
Percent Change from Previous Year	(4.4)%	(0.4)%

**Figure 3** summarizes the Fiscal Year 2012 General Fund FTE positions by department. Only those departments with over 50 General Fund budgeted FTE positions are displayed. All other General Fund departments are combined under the "Other" category. For a detailed look at the budgeted FTE positions in the General Fund refer to the Financial Summary and Schedules section of this Volume.

# Executive Summary

**Figure 3: Fiscal Year 2012 Adopted General Fund FTE Positions by Department**



Numbers may not add to 100% due to rounding.

**Note:** The Other category includes: Administration, Business Office, City Auditor, City Clerk, City Council, Debt Management, Disability Services, Ethics Commission, Financial Management, Human Resources, Office of Homeland Security, Office of the Assistant COO, Office of the Chief Financial Officer, Office of the Chief Operating Officer, Office of the IBA, Office of the Mayor, Purchasing & Contracting, and Real Estate Assets.

**Table 10** represents the allocation of FTE positions per employee labor group within each fund type. The largest employee labor group, Municipal Employees Association (MEA), represents 37.0 percent of General Fund positions and 43.0 percent of all City positions.

**Table 10: Fiscal Year 2012 Adopted FTE Positions by Labor Group**

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Labor Group Total
MEA	2,605.42	86.50	1,455.15	157.60	39.00	<b>4,343.67</b>
IAFF LOCAL 145	888.00	29.00	-	-	-	<b>917.00</b>
ASFCME LOCAL 127	846.49	63.35	792.15	196.67	-	<b>1,898.66</b>
SDPOA	1,949.85	-	-	-	-	<b>1,949.85</b>
Teamsters Local 911	136.89	-	-	-	-	<b>136.89</b>
DCAA	136.22	-	-	-	-	<b>136.22</b>
Classified / Unrepresented	145.92	43.17	67.93	19.50	6.00	<b>282.52</b>
Unclassified / Unrepresented	317.83	37.58	56.19	4.85	17.00	<b>433.45</b>

# Executive Summary

**Table 10: Fiscal Year 2012 Adopted FTE Positions by Labor Group (Cont'd)**

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Labor Group Total
Elected Officials	10.00	-	-	-	-	<b>10.00</b>
<b>Fund Type Totals</b>	<b>7,036.61</b>	<b>259.60</b>	<b>2,371.42</b>	<b>378.62</b>	<b>62.00</b>	<b>10,108.26</b>

**Table 11** displays the percentage of positions in the Police and Fire-Rescue Departments compared to the remaining General Fund departments. The Fiscal Year 2012 Adopted Budgets for the Police and Fire-Rescue Departments include 3,663.74 FTE positions or approximately 52.1 percent of total General Fund FTE positions. The budgeted positions in the Police Department decreased from 2,538.20 FTE positions in Fiscal Year 2011 to 2,514.85 FTE positions in the Fiscal Year 2012 Adopted Budget primarily due to reductions in vacant sworn positions, and administrative civilian positions. For the Fire-Rescue Department, the number of FTE positions increased from 1,146.09 FTE positions to 1,148.89 FTE positions primarily due to adjustments in hourly and temporary wage budgets, and the addition of lifeguard positions.

**Table 11: General Fund FTE Position Summary Fiscal Years 2011 - 2012 by Category**

	FY 2011 Adopted Budget	FY 2012 Adopted Budget
Police and Fire-Rescue Budgets	3,684.29	3,663.74
Percent of Total General Fund Budget	52.1%	52.1%
Other General Fund Department Budgets	3,383.69	3,372.87
Percent of Total General Fund Budget	47.9%	47.9%

The Fiscal Year 2012 Adopted Budget reduces a net 113.84 FTE positions from the City's budget. This is in addition to the net elimination of 1,422.24 FTE positions in the previous five fiscal year budgets. The Fiscal Year 2012 position cuts that have been included in this budget are part of the Mayor's ongoing effort to streamline the City's workforce. **Table 12** shows the total number of net FTE position reductions from Fiscal Year 2007 through Fiscal Year 2012. Note that the Fiscal Year 2011 amount excludes the addition of the 189.98 FTE positions due to the conversion of hourly and temporary wage expenses to FTE positions. These positions do not represent an increase in salary and wages to the City, but represent an improvement in budgeting and accounting for labor costs.

**Table 12: Total City FTE Position Reductions by Fiscal Year**

FY 2007 Adopted Budget	FY 2008 Adopted Budget	FY 2009 Adopted Budget	FY 2010 Adopted Budget <sup>1</sup>	FY 2011 Adopted Budget <sup>2</sup>	FY 2012 Adopted Budget	Total
(38.00)	(629.71)	(58.72)	(157.18)	(539.53)	(113.84)	(1,536.08)

<sup>1</sup> Includes the elimination of 150.95 FTE positions as part of the Fiscal Year 2009 Revised Budget approved by City Council.

<sup>2</sup> Includes the elimination of 523.79 FTE positions as part of the Fiscal Year 2011 General Fund Proposed Budget approved by City Council in December 2009.

## Total Budgeted Fringe Allocations

Total budgeted fringe allocations represent personnel costs that are non-wage related. A significant portion of the total budgeted fringe allocations are considered fixed fringe costs. Fixed fringe costs

## Executive Summary

are expenditures that meet specific obligations established through agreements with the labor unions, City ordinances, or the City's Reserve Policy, regardless of current FTE count or salary amounts. Fixed fringe costs include the San Diego City Employees' Retirement System's (SDCERS) Annual Required Contribution (ARC), and contributions for Workers' Compensation, Long-Term Disability, Other Post-Employment Benefits (OPEB), and Risk Management Administration (RMA). These expenditures account for \$319.9 million or 77.1 percent of budgeted fringe in Fiscal Year 2012. The remaining budgeted fringe allocations are variable to payroll activity such as reductions or additions in staff and salary increases or decreases.

**Table 13** displays the citywide fringe allocation which totals \$414.9 million for Fiscal Year 2012 of which \$308.9 million or 74.5 percent is budgeted in the General Fund.

**Table 13: Fiscal Year 2012 Annual Budgeted Fringe by Fund Type**

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Fringe Totals
Retirement ARC	\$ 178,344,882	\$ 5,670,670	\$ 39,538,094	\$ 6,330,072	\$ 1,300,245	<b>\$ 231,183,963</b>
Supplemental Pension Savings Plan	8,967,482	660,527	5,330,833	881,574	150,424	<b>15,990,840</b>
Retirement Offset Contribution	479,581	20,556	244,701	31,735	8,033	<b>784,606</b>
Retirement DROP	1,666,194	56,949	402,617	63,326	21,507	<b>2,210,593</b>
Employee Offset Savings <sup>1</sup>	9,087,351	310,986	1,031,739	138,666	92,664	<b>10,661,406</b>
Workers' Compensation	16,520,137	326,889	2,876,237	391,444	97,312	<b>20,212,019</b>
Flexible Benefits	38,528,802	1,736,636	12,609,404	2,140,440	425,036	<b>55,440,318</b>
Risk Management Administration	6,502,707	245,775	2,104,516	364,210	58,174	<b>9,275,382</b>
Long-Term Disability	2,495,203	99,273	686,558	108,427	25,239	<b>3,414,700</b>
Unemployment Insurance	1,647,529	62,946	461,061	73,469	16,825	<b>2,261,830</b>
Medicare	5,466,427	216,422	1,532,602	247,830	57,827	<b>7,521,108</b>
Other Post-Employment Benefits <sup>2</sup>	39,111,223	1,483,478	12,653,632	2,190,952	350,378	<b>55,789,663</b>
Retirement 401 Plan	69,130	10,175	21,030	8,347	3,050	<b>111,732</b>
Retiree Medical Trust	16,785	2,543	5,273	2,084	763	<b>27,448</b>
<b>Fund Type Totals</b>	<b>\$ 308,903,433</b>	<b>\$ 10,903,825</b>	<b>\$ 79,498,297</b>	<b>\$ 12,972,576</b>	<b>\$ 2,607,477</b>	<b>\$ 414,885,608</b>

<sup>1</sup> Employee Offset Savings is budgeted as an expense and as revenue to the respective funds, and is intended to be budget neutral. The annual expense may vary based on the number of employees.

<sup>2</sup> Reflects the annual pay-as-you-go portion of \$35.2 million and also reflects the contribution of \$20.6 million for defined contribution payments and to pre-fund future liabilities. Also excludes \$2.0 million in anticipated funding from the Early Retiree Reinsurance Program.

### City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2012 is budgeted at \$233.6 million and is described below:

## Executive Summary

- The SDCERS ARC, which was determined by SDCERS' actuarial valuation as of June 30, 2010, is \$231.2 million and assumes no negative amortization with the use of a 20-year amortization schedule of the Unfunded Actuarial Accrued Liability (UAAL). Approximately \$178.3 million or 77.1 percent of the ARC is budgeted in the General Fund.
- The Retirement Offset Contribution (ROC) represents the amount of City employees' retirement contributions that the City pays as an offset for employees. The Fiscal Year 2012 Adopted Budget amount is \$784,606, a \$7.2 million reduction over the Fiscal Year 2011 Adopted Budget. The reduction is mainly due to a 3 percent reduction to the City's ROC for MEA and Teamsters Local 911 employees during the labor negotiations for Fiscal Year 2012. The ROC reduction to these labor groups will be offset by the restoration of the concessions previously imposed on employees. Therefore, this reduction does not represent an additional expenditure savings.
- In addition, \$1.6 million is budgeted in the Citywide Program Expenditures Department for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits.

The Retiree Health or Other Post Employment Benefits (OPEB) UAAL as of June 30, 2010 is approximately \$1.13 billion and the ARC was determined to be \$96.0 million. This valuation assumes a 6.69 percent discount rate. The City is not funding the OPEB UAAL on an actuarial basis. The City entered into an agreement on January 18, 2008 with the CalPERS Employer Retiree Benefit Trust (CERBT) to pre-fund expenses related to post-employment healthcare benefits. As of June 30, 2011, the market value of the CERBT is \$116.6 million.

As part of labor negotiations in Fiscal Year 2011, a tentative agreement (TA) with all labor organizations was reached to reduce the City's Retiree Health UAAL. According to this TA, the City's funding limit for Fiscal Years 2011 to 2015 will be capped at \$57.8 million and will not increase by more than 2.5 percent from year to year thereafter. This TA, if approved by City employees via a City Charter section 143.1 vote, is projected to reduce the City's unfunded retiree healthcare liability by an estimated \$330.0 million in the June 30, 2012 actuarial valuation. The vote is anticipated to occur in September 2011.

In Fiscal Year 2012, the City is scheduled to contribute \$57.8 million for the retiree health care benefit, of which \$2.0 million is anticipated to be funded through the Early Retiree Reinsurance Program (ERRP). On May 10, 2011, the City received notification that the application to the ERRP was approved. ERRP provides funding to participating employment-based plans to offset a portion of the costs of health benefits for early retirees based on claims experience. As a result, the City budgeted \$55.8 million in Fiscal Year 2012, which is comprised of \$35.2 million based on the estimated annual retiree health benefits payments (pay-as-you-go) and \$20.6 million for defined contribution payments and pre-funding retiree health care benefits.



## Employee Offset Savings (EOS)

The labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's Retirement Offset Contribution. These agreements specified that the savings the City realizes as a result of this reduction must be used to address the City's pension UAAL. Each City department is charged based upon its respective payroll and these funds are transferred into the EOS account. In Fiscal Year 2006, the City issued approximately \$100 million in Tobacco Securitization Bonds and transferred these funds to



SDCERS as a contribution to the pension system above the ARC to address the UAAL. In order to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006 and to protect the programs previously supported with the Tobacco Settlement Revenues, a portion of the EOS funds is transferred each year to the General Fund. The Fiscal Year 2012 Adopted Budget includes Employee Offset Savings of \$10.7 million, which is budgeted as an expense to departments and revenue to the respective funds.

## Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary. The Fiscal Year 2012 Adopted Budget for Retirement DROP is \$2.2 million.

## Workers' Compensation

State Workers' Compensation laws ensure that employees who are injured or disabled on the job are provided with fixed monetary awards. These laws are intended to reduce litigation and to provide benefits for workers (and their dependents) who suffer work-related accidents or illnesses. State Workers' Compensation statutes establish this framework of laws for the City of San Diego. The Workers' Compensation contribution in the Fiscal Year 2012 Adopted Budget is \$20.2 million.

## Long-Term Disability

The Long-Term Disability (LTD) contribution in the Fiscal Year 2012 Adopted Budget is \$3.4 million. This contribution includes funding of \$614,000 toward the Long-Term Disability Fund Reserves.

## Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible. The Fiscal Year 2012 Adopted Budget for Flexible Benefits is \$55.4 million.

# Executive Summary

## Supplemental Pension Savings Plan (SPSP) and New Retirement Plan

The City opted out of Social Security in January 1982 and replaced it with the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to their savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009 must pay a mandatory 3 percent and can voluntarily contribute up to an additional 3.05 percent for employees hired after July 1, 1986, or 4.5 percent for employees hired on or before July 1, 1986. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions up to 6.05 percent and this amount is deposited into the employee's SPSP account. The Fiscal Year 2012 Adopted Budget for SPSP is \$16.0 million. Due to labor concessions in Fiscal Year 2012, some employee groups have the option to waive the City's match to employee mandatory contributions or take fifty-two (52) hours of unpaid furlough. The Fiscal Year 2012 Adopted Budget reflects the selections made by employees.



A new retirement plan for general members hired on or after July 1, 2009 is now in effect and includes a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll and a retiree medical trust with a mandatory employee contribution of 0.25 percent of payroll. These amounts are deducted from employees' paychecks and placed into the employees' accounts. The City matches these contributions. The Fiscal Year 2012 Adopted Budget for this new retirement plan is \$139,596 and is based on a count of 173 general members as of December 2010.

## Risk Management Administration

The Risk Management Administration (RMA) rate is established to support the appropriated expenditures that fund all of the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Safety and Environmental Health Services, Employee Benefits, Savings Plans, Long-Term Disability, and Employee Assistance programs. The Fiscal Year 2012 Adopted Budget for Risk Management Administration is \$9.3 million.

## Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime and other employee special pays. The Fiscal Year 2012 Adopted Budget for Medicare is \$7.5 million.

## Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements to receive the benefit. The Fiscal Year 2012 Adopted Budget for Unemployment Insurance is \$2.3 million.

## Funding of Annual Leave

In the past, the City had not completely budgeted for the additional expense of Annual Leave paid to employees who end their employment with the City with leave balances. While a portion of annual leave expense has been absorbed in departmental budgets, there will be a large number of employees with high leave balances expected to retire over the next several years. The Fiscal Year 2012 Adopted Budget includes \$2.2 million and is based on anticipated retirements from the Deferred Retirement Option Plan (DROP) within the fiscal year and the projected value of the accrued annual leave balance.



## Vacancy Savings

As part of the development of the Fiscal Year 2012 Adopted Budget, the City is estimating an amount of personnel savings or vacancy savings by department that is attributable to: vacancies, attrition, extended leaves of absence, savings related to under-filled positions, and newly hired employees that may start at a lower salary than the salary of the vacated position. The development of estimated vacancy savings in the budget incorporated input from departments regarding current and anticipated staffing levels as well as information on vacant reimbursable positions. Savings from vacant reimbursable positions have been excluded from the estimated vacancy savings as the City does not realize savings due to offsetting revenue for these unfilled positions. These estimates of vacancy savings will require that departments appropriately manage their Fiscal Year 2012 personnel expenditures to their available allocated appropriations. The Fiscal Year 2012 adopted vacancy savings is \$30.7 million, representing a decrease of \$10.3 million or 25.1 percent from the Fiscal Year 2011 vacancy savings. The decrease is primarily due to the reduction of vacant positions to balance the Fiscal Year 2012 Adopted Budget, a projected decrease in the amount of vacancies in Fiscal Year 2012, and the exclusion of reimbursable positions in the vacancy savings methodology. Another reason for the Fiscal Year 2012 decrease is the budgeted level of vacancy savings for Fiscal Year 2011 was set too high and was not realized.

**Table 14** displays the changes in budgeted vacancy savings from Fiscal Year 2011 to Fiscal Year 2012.

**Table 14: Fiscal Year 2012 Adopted Vacancy Savings**

Department/Fund	FY 2011 Adopted Budget	FY 2012 Adopted Budget
Administration	\$ 59,363	\$ 59,363
City Attorney	572,760	742,777



# Executive Summary

**Table 14: Fiscal Year 2012 Adopted Vacancy Savings (Cont'd)**

Department/Fund (Cont'd)	FY 2011 Adopted Budget	FY 2012 Adopted Budget
City Clerk	29,931	43,618
City Comptroller	236,881	185,494
City Treasurer	269,567	174,844
Council Administration	-	42,791
Council District 2	60,736	-
Council District 6	121,472	-
Council District 7	-	60,736
Debt Management	54,059	29,931
Development Services	367,973	105,373
Economic Development	-	107,932
Environmental Services	437,111	142,584
Ethics Commission	-	130,000
Financial Management	59,467	73,445
Fire-Rescue	3,184,994	3,352,885
Library	1,363,745	197,059
Office of the Mayor	66,768	-
Park & Recreation	1,766,811	762,859
Personnel	39,666	31,491
Police	11,448,164	8,803,882
Public Works - Engineering & Capital Projects	1,965,166	1,094,124
Public Works - General Services	2,001,370	597,544
Purchasing & Contracting	255,601	120,681
Real Estate Assets	-	59,363
Storm Water	550,306	-
Transportation & Storm Water	-	674,480
<b>Total General Fund</b>	<b>\$ 24,911,911</b>	<b>\$ 17,593,256</b>
Airports Fund	113,422	54,059
Central Stores Fund	115,232	36,067
City Employee's Retirement System Fund	369,242	345,052
ERP Fund	-	65,416
Development Services Fund	8,152,340	7,297,648
Facilities Financing Fund	118,726	59,363
Fire/Emergency Medical Services Transport Program Fund	922,607	52,520
Fleet Services Operating Fund	440,479	349,105
Golf Course Fund	390,228	136,272
HUD Programs Administration Fund	54,059	-
Information Technology Fund	109,855	34,611
Local Enforcement Agency Fund	60,674	60,674
Maintenance Assessment District (MAD) Management Fund	-	54,059
Publishing Services Fund	207,168	28,870
QUALCOMM Stadium Operations Fund	102,774	74,297

# Executive Summary

**Table 14: Fiscal Year 2012 Adopted Vacancy Savings (Cont'd)**

Department/Fund (Cont'd)	FY 2011 Adopted Budget	FY 2012 Adopted Budget
Recycling Fund	455,530	186,868
Redevelopment Fund	153,556	86,788
Refuse Disposal Fund	779,322	311,543
Risk Management Administration Fund	170,862	132,185
Sewer Funds	1,782,198	1,917,881
Water Utility Operating Fund	1,331,253	1,659,710
Wireless Communications Technology Fund	189,862	119,205
<b>Total Non-General Fund</b>	<b>\$ 16,019,389</b>	<b>\$ 13,062,193</b>
<b>Total</b>	<b>\$ 40,931,300</b>	<b>\$ 30,655,449</b>

## Citywide Reorganization/Restructuring

The Fiscal Year 2012 Adopted Budget reflects the restructuring of several departments as a result of executive management and department-initiated reorganizations. Reorganization includes restructuring of departments and major divisions within a department and is intended to increase the overall efficiencies and effectiveness of City operations. The following provides an overview of significant changes to the City's organizational structure that are included in the Fiscal Year 2012 Adopted Budget.

### Transportation & Storm Water Department

The Transportation & Storm Water Department was created to streamline right-of-way related maintenance and projects. This new department is made up of the Transportation Engineering Operations Division and various administrative functions of the Engineering & Capital Projects Department, the Street Division of the General Services Department, and each division of the Storm Water Department. The Storm Water Department has been dissolved.

### Development Services Department

The City Planning & Community Investment Department, with the exception of the Redevelopment and CDBG/Economic Development divisions, has merged into the Development Services Department to streamline citywide planning and development duties.

### Redevelopment

Redevelopment, formerly a division within the City Planning & Community Investment Department, is now a stand-alone department within the City Planning & Development Business Center.

### CDBG/Economic Development

The Community Development Block Grant (CDBG) administration of the HUD Programs Administration Fund and the Economic Development Division of the City Planning & Community Investments Department transferred to a stand-alone department called Economic Development within the Office of the Assistant COO Business Center. The CDBG restructure represents a transfer from a Special Revenue Fund to the General Fund.

### Public Works Department

The General Services Department and the Engineering & Capital Projects Department have merged to create the Public Works Department.

# **Executive Summary**

## **Disability Services**

The Disability Services section of the Public Works Department is now a stand-alone department within the Office of the Assistant COO Business Center.

## **Gang Commission**

The Gang Commission was transferred from the Police Department to the Administration Department.

## **Public Safety Needs & Debt Service Fund**

The Public Safety Needs & Debt Service Fund was established to track Safety Sales Tax Revenue and expenditures for public safety needs. On an annual basis, debt service for the Fire and Lifeguard Facilities Fund is paid first, then the remaining revenue is distributed equally between the Police and Fire-Rescue Departments.

## **Business Cooperation Program**

Sales and Use Tax rebate expenditures for the Business Cooperation Program were transferred from the Office of the Mayor to the Citywide Program Expenditures Department.

## **Office of the Mayor**

The Community & Legislative Services Department and Business Center were renamed the Office of the Mayor. The Mayor's position was transferred from the Office of the Mayor and COO to the Office of the Mayor.

## **Office of the Chief Operating Officer**

The Office of the Mayor and COO was renamed the Office of the Chief Operating Officer. The Mayor's position was transferred from the Office of the Mayor and COO to the Office of the Mayor.

## **Department of Information Technology**

The Department of Information Technology was transferred to the Office of the Chief Financial Officer Business Center.

## **Enterprise Resource Planning**

The OneSD Support Department was renamed Enterprise Resource Planning.

## **Underground Surcharge Fund**

The Underground Surcharge Fund was moved under the Transportation & Storm Water Department. 2.00 FTE positions will remain budgeted in the Underground Surcharge Fund, while 4.51 FTE positions are being transferred to the Public Works - Engineering & Capital Projects Department General Fund with offsetting revenue. Expenditures in the Underground Surcharge Fund were increased to reimburse the General Fund for the 4.51 FTE positions.

## **Enterprise Asset Management (EAM)**

The EAM function was centralized and transferred from the Transportation & Storm Water Department in the General Fund and the Publishing Services and Wireless Communications Technology Funds to the Enterprise Resource Planning (ERP) Department, including 2.00 FTE positions and \$1.1 million in information technology (IT) expenditures, to more effectively manage the asset management information technology systems.



## Information Technology (IT) Restructure

The IT Restructure is part of the City's IT Strategic Plan. The IT Restructure involves the completion of a Request for Proposal (RFP) process to compete the IT services performed by the City's incumbent vendor, San Diego Data Processing Corporation (SDDPC), and to assume responsibility for IT procurement and security. The City expects to select the IT service provider(s) in late October 2011 for City Council approval by December 2011. The result of the IT Restructure will be contract(s) with vendor(s) who will provide the support to the City in various areas. Regardless of which vendor(s) are selected via this process, the relationship between the City and the technology vendor(s) will be managed by the Department of Information Technology. The IT Restructure is concentrated on realigning IT staff from the General Fund as well as non-General Funds to better support the City's IT Strategic Plan. The resulting restructure will have no budgetary impact to the General Fund in Fiscal Year 2012. This restructure transfers/reduces 3.00 FTE positions from the Development Services Department, 2.00 FTE positions from the Public Utilities Department, and 2.00 FTE positions from the ERP Department. It also realigns 3.00 FTE positions within the Department of Information Technology and reduces the expenses paid to SDDPC for security and procurement so that additional cost is not added to the City in Fiscal Year 2012. This restructure sets up the staffing support needed for the City to manage IT outsourcing and control security.

## Community Projects, Programs, and Services

New divisions were created within each Council District Department to budget for Community Projects, Programs, and Services. The Fiscal Year 2012 Adopted Budget includes specific allocations for each Council District, resulting in a combined total of \$1.6 million for all Council Offices. The allocations are based on each Council Office's estimated savings for Fiscal Year 2011 as reported in the Fiscal Year 2011 Year-End Monitoring Report, including requested appropriation adjustments. Funding for Community Projects, Programs, and Services can be used to supplement the appropriations of any existing General Fund activity or a new activity that would typically be supported by the City's General Fund, and may be expended for any government purpose. The allocations for each Council District's Community Projects, Programs, and Services are displayed separately from each Council District's operating budget in Volume II.

## Fiscal Actions in the Fiscal Year 2012 Adopted Budget

The City of San Diego remains committed to restoring fiscal stability, addressing its financial obligations, and meeting its responsibility to provide essential core services to San Diego residents. As part of this commitment, the Mayor is dedicated to implementing ten financial reforms, which are described in detail in the Fiscal Reforms section that follows.

The Fiscal Year 2012 Adopted Budget contains funding for the full payment of the pension ARC, funding for retiree health pay-go and a contribution to the retiree health trust, funding to restore Fire-Rescue engine companies to end the rolling brown-outs implemented in Fiscal Years 2010 and 2011, and funding for storm water obligations. Due to the need to mitigate the projected \$56.7 million deficit identified in the Fiscal Years 2012–2016 Five-Year Financial Outlook released on February 7, 2011, one-time solutions and on-going departmental reductions described in the Corrective Actions section were necessary to address the projected shortfall for Fiscal Year 2012. As part of the one-time savings, the City suspended contributions to the Public Liability, Workers' Compensation, and partially to the Long-Term Liability reserves in Fiscal Year 2012. The reserves for the Public Liability and Workers' Compensation funds are expected to be maintained at current levels.

# Executive Summary

## Funding the Pension Plan

The Fiscal Year 2012 Adopted Budget includes full funding for the City's annual pension contribution, which is a critical component of the City's long-term fiscal health and stability. For Fiscal Year 2012, the SDCERS ARC is \$231.2 million. This amount was determined by SDCERS' actuarial valuation as of June 30, 2010 and was transferred to SDCERS on July 1, 2011. In Fiscal Year 2009, the Mayor proposed and City Council approved a new pension plan for General Members (effective July 1, 2009). In addition, pension reforms have been implemented for Police Officers hired after July 1, 2009 and Lifeguards hired after January 1, 2011. These changes are expected to achieve savings in the City's pension payments in future years. The City also reached a one-year tentative agreement with IAFF Local 145 for Fiscal Year 2012 to establish a second tier retirement benefit for firefighters hired after January 1, 2012. The tentative agreement was approved by the City Council on April 11, 2011.

## Maintaining Reserves

Healthy reserves help insulate City services against costs of emergencies such as natural disasters. In addition, the City's reserves are one of several factors considered by rating agencies and a strong reserve balance is an important credit feature. The City currently maintains several reserves for its operations, including the Emergency Reserve for the General Fund (established to fund unanticipated liabilities for natural disasters, catastrophic occurrences, and judgments), Development Services Reserve funds, Risk Management Reserve funds, and Public Utilities Reserves, among others.

The City's Reserve Policy calls for: a) the maintenance of adequate reserve levels for all of its reserves including the Emergency Reserve and the Appropriated Reserve in the General Fund; b) enhanced operating reserves for Enterprise Funds such as Water and Wastewater; c) a capital reserve; and d) other types of reserves. The City's policy currently defines a goal of having a minimum of 8.0 percent of General Fund revenues held in reserves by Fiscal Year 2012. This 8.0 percent reserve target is expected to be met for the General Fund, based on the Fiscal Year 2011 year-end projections and the Fiscal Year 2012 budget. As part of the deficit mitigation plan for Fiscal Year 2012, contributions to the Public Liability and Workers' Compensation reserves have been suspended. The reserves for Public Liability and Workers' Compensation funds are intended to be maintained at current levels. Revisions to the City's Reserve Policy are currently underway to incorporate these timing changes.

## Deferred Capital/Maintenance

On March 16, 2011, an update on General Fund deferred capital and maintenance projects was presented to the Budget and Finance Committee. Based on information available in 2010, the City has a current backlog of approximately \$840 million for deferred capital/maintenance projects for streets, buildings and storm drain infrastructure funded by the General Fund. This backlog was identified by conducting extensive condition assessments, some of which are still in progress. Of the \$840 million, \$378 million is related to streets, \$216 million is attributed to buildings, and \$246 million is related to storm drains. In addition to the bond issuance in Fiscal Year 2009, the City expects to issue a new bond in Fiscal Year 2012 to further address General Fund deferred capital projects. The debt service payments for this issuance are projected to begin in Fiscal Year 2013. The Public Works - Engineering & Capital Projects Department is working on a multi-year implementation plan to address the deferred capital backlog.

## Retiree Health Care Costs

The City continues to fund retiree health care benefits, otherwise known as OPEB, as this annual cost is expected to increase substantially in future years. As of the June 30, 2010 actuarial valuation, the citywide OPEB ARC is \$96.0 million for the City's post-retirement medical benefit program. The valuation assumed a 6.69 percent discount rate and determined a total actuarial accrued liability of \$1.13 billion. The Fiscal Year 2012 Adopted Budget includes \$55.8 million for OPEB, which is comprised of \$35.2 million for the annual retiree health benefits payments (pay-as-you-go) and \$20.6 million for defined contribution payments and pre-funding retiree health care benefits in a trust fund administered by CalPERS, the California Employers' Retiree Benefits Trust. In order to reduce the City's costs associated with retiree health and the unfunded retiree healthcare liability, the City reached a tentative agreement with all six labor organizations to modify the retiree health benefit for all eligible City employees. This agreement, if approved by City employees via a City Charter section 143.1 vote, is projected to reduce the City's unfunded retiree healthcare liability by an estimated \$330.0 million in the June 30, 2012 actuarial valuation. The vote is anticipated to occur in September 2011.



## Municipal Storm Water Permit Compliance

Compliance with the Municipal Storm Water Permit required by the California Regional Water Quality Control Board significantly impacts the City's budget. The Fiscal Year 2011 Adopted Budget included \$35.2 million to fund programs to comply with the permit including storm water pollution prevention, street sweeping, and storm drain maintenance. In Fiscal Year 2012, the City will continue to comply with the permit requirements by funding programs and services with the Fiscal Year 2012 Adopted Budget of \$33.8 million.

## Fiscal Reforms

The Mayor and City Council are committed to implementing the ten financial reforms, which include reforms related to the City pension, retiree health care, managed competition, and terminal leave for employees. The reforms were intended to protect and restore essential City services, maintain the City's infrastructure such as streets, sidewalks, and public facilities, and continue to provide other City services, including park and branch library services. These reforms were part of the Proposition D ballot measure for the November 2010 Municipal Special Election, which did not pass. These reforms are described in more detail below.

### **Eliminate employee retirement offsets for elected officials and unrepresented City employees**

The Fiscal Year 2012 Adopted Budget includes the elimination of the employee retirement offset contribution for elected officials and unrepresented employees, which is the portion of the individual's retirement system contribution that the City paid on the employee's behalf. City Council eliminated the offset for these groups on October 19, 2010.

# Executive Summary

## **Adopt a managed competition guide for various City services**

On October 12, 2010, the City Council adopted a Managed Competition Guide to allow the City to implement a managed competition process for various City services. As stipulated in the City Charter Section 117(c), managed competition is a process to determine when City services can be provided more economically and efficiently by an independent contractor than by persons employed in the Classified Service while maintaining service quality and protecting the public interest. The employee team won the first Managed Competition bid for publishing services, which is estimated to save the City about \$1.0 million per year. Managed competition processes are currently underway for fleet maintenance services, Public Utilities customer service areas, street sweeping, sidewalk and street maintenance, and landfill operations.

## **Complete a DROP cost neutrality study**

A Cost Neutrality Study on the Deferred Retirement Option Plan (DROP) Program was completed and presented to the City Council on March 7, 2011. According to the study, DROP would be considered "cost neutral" if the present value of the City's share of costs for all compensation and benefit programs with DROP included is within two percent of the present value of what those costs would be in the absence of DROP. The results of this study indicated that while DROP is "cost neutral," it is not "cost free." Therefore, the City is in the process of pricing out measures, which will be negotiated with the labor organizations, to reduce the cost of DROP in order to make the program "cost free."

## **Solicit requests for qualifications to assume operations of the Miramar Landfill**

The City solicited requests for qualifications (RFQ) to assume ownership and operation of the Miramar Landfill. Although three proposals were received in response to the RFQ, these proposals were later withdrawn. As a result, the City is using the Managed Competition process related to landfill operations.

## **Eliminate terminal leave for all City employees**

Terminal leave has been eliminated for all City employees effective July 1, 2011. This allows City employees to only cash out accrued leave upon separation from the City.

## **Reduce retirement offset costs for represented City employees**

Retirement offset costs, which is the portion of the individual's retirement system contribution that the City pays on the employee's behalf, for represented City employees were reduced effective July 1, 2011. There are two labor organizations that are still receiving these offsets. Teamsters Local 911's offset was reduced from 5.3 percent to 2.3 percent and the Municipal Employees Association's (MEA) offset was reduced from 3.4 percent to 0.4 percent through negotiations with labor organizations.

## **Reduce retiree healthcare liability**

The City reached a tentative agreement with all six labor organizations to modify the retiree health benefit for all eligible City employees. This agreement, if approved by City employees via a City Charter section 143.1 vote, is projected to reduce the City's unfunded retiree healthcare liability by an estimated \$330.0 million. The vote is anticipated to occur in September 2011.

The City's actuary estimated that over a twenty-five year period, the cumulative annual cash flow savings to taxpayers will be \$770.0 million.

# Executive Summary

## **Solicit proposals to provide City information technology services**

At the request of the City Council during the approval of the contract for Help Desk and Desktop Support Services in April 2010, the City subsequently developed an Information Technology (IT) Services Sourcing Strategy, which was approved by City Council on March 14, 2011. With this approval, the City issued a Request for Proposals (RFP) for IT Services in April 2011, and responses were received in late June 2011. The City is in the process of evaluating the proposals and plans to make a selection of an IT Services provider in late October 2011 for City Council approval by December 2011.

## **Establish a second tier pension plan for new firefighters**

The City reached a one-year tentative agreement with the International Association of Fire Fighters Local 145 (IAFF Local 145) for Fiscal Year 2012 to establish a second tier retirement benefit for firefighters hired after January 1, 2012. This retirement benefit includes changes to the retirement calculation factor (benefit multiplier) and final compensation. The retirement calculation factor changes from 3.0 percent at 50 years to 2.5 percent at 50 years, and changes the final compensation base from the one-year high to highest three years of pay. The tentative agreement was approved by the City Council (via Resolution Number R-306738) on April 11, 2011.

## **Adopt an ordinance for a voluntary defined contribution pension plan for City employees**

Subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA), the City plans to adopt an ordinance to establish an alternative Defined Contribution Plan for all City employees, which is intended to reduce the City's cost of the current City retirement plan. The ordinance would allow City employees to switch from a current City retirement plan to the alternative Defined Contribution Plan, which may be subject to IRS and other government agency approvals. The City is currently awaiting the IRS ruling on a similar effort in Orange County to establish a voluntary contribution plan before pursuing this effort for City employees.

## **Corrective Actions in the Fiscal Year 2012 General Fund Adopted Budget**

On February 7, 2011, the Mayor released the Fiscal Years 2012–2016 Five-Year Financial Outlook, which identified a projected General Fund deficit of \$56.7 million in Fiscal Year 2012. In order to mitigate this deficit, a combination of one-time solutions and departmental reductions have been incorporated into the Fiscal Year 2012 Adopted Budget. Higher projected revenues for transient occupancy tax (TOT) and sales tax have also been included in the Fiscal Year 2012 Adopted Budget. The corrective actions are described in detail below.

### **Departmental Savings**

The Fiscal Year 2012 Adopted Budget includes the elimination of 68.68 General Fund full-time equivalent (FTE) positions, resulting in a personnel cost savings of \$8.0 million. Departmental adjustments resulted in a non-personnel expenditures savings of \$9.6 million in the General Fund and an increase of \$392,795 in revenue. Of the \$9.6 million reduction in non-personnel expenditures, approximately \$8.6 million was reduced from the contracts and supplies budgets. These departmental adjustments are detailed in **Table 15**. Positions eliminated as part of the Fiscal Year 2012 departmental reductions are detailed in **Table 16**.

Although some reductions to City services were necessary to address the projected deficit, every attempt was made to minimize the impact to core services. Service impacts related to the departmental reductions can be found in each department's Significant Budget Adjustments section of Volume II.

# Executive Summary



## User Fee Revenue

User fees are charged for services provided by the City of San Diego to residents and businesses. In Fiscal Year 2012, the total budgeted increase in user fee revenue as a result of new user fees and fee adjustments is \$5.3 million. However, \$4.0 million of this revenue will now be associated with the new agreement with Rural/Metro. Effective July 1, 2011, a new Emergency Medical Services Agreement between Rural/Metro of San Diego, Inc. and the City of San Diego was initiated. This agreement established a new average patient charge and an annual operating fee to be paid by Rural Metro to the City.

The Fire-Rescue Department will implement two new fees in Fiscal Year 2012. An air medical billing fee has already been approved by City Council on June 28, 2011. The department is also expected to bring a proposal to City Council to implement a false alarm permitting fee. The Police Department adjusted several existing fees, primarily entertainment permit fees, totaling \$0.3 million in revenue. More information on user fees can be found in the User Fee section that follows.

## Parking Meter Utilization Program

The Parking Meter Utilization Program was developed to provide tools for improved parking management including flexibility in setting rates, time limits, and hours of operation; to set a parking meter utilization target rate of 85 percent; and to facilitate a community-driven process to address neighborhood-specific issues. As part of the Fiscal Year 2011 Adopted Budget, \$2.6 million in revenue was included in anticipation of the implementation of the Parking Meter Utilization Program. Due to a delay in implementation, the \$2.6 million was excluded from the Fiscal Years 2012–2016 Five-Year Financial Outlook. With the City Council's approval of a revised Parking Meter Utilization Program on March 22, 2011, net annualized revenue of approximately \$1.1 million has been incorporated into the Fiscal Year 2012 Adopted Budget. This includes an estimated increase in annualized parking meter revenue of \$1.6 million with associated costs of \$0.5 million and the addition of 5.00 FTE positions. The next step in the process will be for the advisory boards of the respective Community Parking Districts to analyze meter and on-street parking utilization data and make recommendations on meter locations, rates, time limits, hours of operation, and new parking technology.

## Convention Center Debt Service

A transfer of \$2.0 million from the City's Redevelopment Agency to the City's General Fund is budgeted for Fiscal Year 2012. This transfer is for the payment to the City for the General Fund annual debt service for the Convention Center Expansion Authority financing that occurred in 1998. This transfer to the City's General Fund is projected to occur annually and will increase by \$500,000 per fiscal year through Fiscal Year 2026.

## San Diego Lindbergh Field Airport Contract Renegotiation

The Fiscal Year 2012 Adopted Budget includes an increase of \$1.0 million in revenue as a result of a renegotiated contract, which is currently in its final stages, between the Fire-Rescue Department and the San Diego Lindbergh Field Airport. The new contract will provide reimbursement for services offered to the airport.



## **Publishing Services Managed Competition Savings**

The Fiscal Year 2012 Adopted Budget reflects the changes from the implementation of the first function to be successfully bid under the Managed Competition program. City employees submitted the winning bid that reduced over 10.00 budgeted FTE positions and \$1.0 million in total expenditures from the Fiscal Year 2012 Adopted Budget in the Publishing Services Fund. This resulted in a projected savings of approximately \$231,000 to client departments in the General Fund (\$664,000 citywide) for the first year of implementation effective November 2011.

## **World Trade Center Proceeds**

The \$2.5 million principal portion of the debt service on the 2010A Master Refunding Bonds (Deferred CIP Bonds and Mission Bay/Balboa Park Improvement only) will be paid from proceeds from the sale of the World Trade Center. The World Trade Center was sold for \$8.2 million and is expected to close escrow in September 2011.

## **Expansion of Marketing Partnerships**

The Fiscal Year 2012 Adopted Budget includes an increase of \$300,000 in revenue as a result of marketing partnerships under development and other sponsorship opportunities that have been identified by the Corporate Partnership Program.

## **One-Time Expenditure Reductions and Revenue Increases**

### ***Suspension of Contribution to Reserves***

The Workers' Compensation Reserve is maintained as a contingency in the event the annual expense for claims exceeds the annual "pay-go" budgeted amount. The City's Reserve Policy defines a goal of reaching 50 percent of the value of outstanding claims by Fiscal Year 2014. The Fiscal Year 2012 Adopted Budget, however, does not include additional funding for the Workers' Compensation reserves in Fiscal Year 2012. The 22 percent reserve level achieved in Fiscal Year 2010 is intended to be maintained in Fiscal Years 2011 and 2012, instead of reaching 30 percent and 35 percent, respectively, according to the current policy. While the City's Fiscal Years 2012–2016 Five-Year Financial Outlook included a Fiscal Year 2012 General Fund reserve contribution of \$4.9 million, the Fiscal Year 2012 Adopted Budget does not include this additional funding for this reserve. The City's Reserve Policy, once revised, will reflect new reserve targets. Currently, the Workers' Compensation Reserve is funded at \$34.3 million.

The Public Liability Reserve is maintained to fund self-insured retention expenses related to the fund that may exceed the annual budgeted claims expense. The City's Reserve Policy defines a goal of 50.0 percent of the average value of the actuarial liability by Fiscal Year 2014. The Fiscal Year 2012 Adopted Budget, however, does not include additional funding for the Public Liability Reserve in Fiscal Year 2012. The 15 percent reserve level is intended to be maintained in Fiscal Years 2011 and 2012, instead of reaching 25 percent and 35 percent respectively. While the City's Fiscal Years 2012–2016 Five-Year Financial Outlook included a Fiscal Year 2012 reserve contribution of \$5.7 million, the Fiscal Year 2012 Adopted Budget does not include this additional funding for this reserve. The City's Reserve Policy, once revised, will reflect new reserve targets. Currently, the Public Liability Reserve is funded at \$17.1 million.

The Long-Term Disability (LTD) Fund Reserve has been funded annually to convert the self-insured LTD program to a fully insured program. The City's Reserve Policy defines a funding goal of \$12.0 million by Fiscal Year 2012. While the City's Fiscal Years 2012–2016 Five-Year Financial Outlook included a Fiscal Year 2012 General Fund contribution of \$1.6 million, the Fiscal Year 2012 Adopted

# Executive Summary

Budget only includes a \$0.4 million General Fund contribution to this reserve. The City's Reserve Policy, once revised, will reflect a new reserve target. Currently, the Long-Term Disability Fund Reserve is funded at \$7.5 million.

## ***Emergency Medical Services (EMS) Fund Balance Transfer***

The Emergency Medical Services (EMS) Fund balance is projected to be \$4.1 million at the end of Fiscal Year 2011. The transfer of this fund balance of \$4.1 million to the General Fund has been incorporated into the Fiscal Year 2012 Adopted Budget.

In addition, the budget includes \$1.0 million in revenue from the partnership with the San Diego Medical Services Enterprise (SDMSE), which was intended to be transferred to the General Fund. However, this partnership has been terminated and effective July 1, 2011, Rural/Metro purchased the City's interest in SDMSE for \$5.5 million plus a division of retained earnings that are being determined. This agreement establishes a new average patient charge and an annual operating fee to be paid by Rural Metro to the City. As such, the \$1.0 million in revenue included in the Fiscal Year 2012 Adopted Budget will still be realized as a result of the new agreement.

## ***Police Decentralization Fund Balance Transfer***

The City of San Diego pays annual "booking fees" to the County of San Diego, which are fees that the City's Police Department incurs for "booking" individuals into the County's jail system. The Fiscal Year 2010 and 2011 Adopted Budgets included annual booking fee payments of \$5.2 million. Since Fiscal Year 2010, the State of California has paid the County of San Diego \$2.0 million for these expenses, partially offsetting the City's obligation. As a result, the Police Decentralization Fund has accumulated \$4.0 million in fund balance from Fiscal Years 2010 and 2011, which will reduce the transfer from the General Fund to the Police Decentralization Fund in Fiscal Year 2012.

## ***Retiree Health Care Contribution***

On May 10, 2011, the City received notification that the application to the Early Retiree Reinsurance Program (ERRP) was approved. ERRP provides reimbursement to participating employment-based plans for a portion of the costs of health benefits for early retirees. In Fiscal Year 2012, the City anticipates receiving \$2.0 million in funding based on claims experience. These funds will offset the City's payment for annual retiree health benefits and as a result, the Fiscal Year 2012 Adopted Budget includes a reduction of \$1.4 million to the General Fund (\$2.0 million citywide) in the annual pay-as-you-go budget for retiree health.

## ***TransNet ARRA Revenue***

The American Recovery and Reinvestment Act (ARRA) of 2009 provided money for transportation projects including road and highways funds through the Federal Highway Administration. In order to facilitate the obligation of the ARRA funds, the SANDAG Board approved exchanging the 40 percent share for local agencies with local TransNet funds. The TransNet-funds-for-ARRA-funds swap eliminates the burden by the local agencies from having to follow various federal requirements, while also assuring that the region will obligate the funds in the required timeframe. As a result of the exchange of federal stimulus funds for SANDAG TransNet Local Street and Road funding, the City of San Diego received \$20.2 million, of which \$14.1 million was approved by City Council in August 2009 to be budgeted for capital improvement projects. The Fiscal Year 2012 Adopted Budget includes the remaining \$6.1 million to support street-related maintenance.

## ***Unclaimed Monies Revenue***

The Fiscal Year 2012 Adopted Budget includes a one-time revenue transfer of \$1.0 million resulting from an accounting policy change for recapturing unclaimed monies. Based on a February 25, 2010 Memorandum of Law (MOL) by the City Attorney concerning the conflict between City Charter Section 86 and the California Government Code 50050 regarding the disposition of unclaimed public

## Executive Summary

monies, the Office of the City Comptroller opted to follow City Charter Section 86 language and continue with current publication of notice practices. This change was consistent with the second recommendation offered in the MOL.

### ***Disaster Recovery Revenue***

Reimbursements from private insurance companies, the California Emergency Management Agency (CalEMA), and the Federal Emergency Management Agency (FEMA) totalling \$4.0 million will be transferred to the General Fund in Fiscal Year 2012. The reimbursements are primarily for clean-up and debris removal services provided by the General Fund during the 2007 wildfires.

### ***Retroactive High Rise Fire Inspection Fees***

The Fire Prevention Audit released in October 2010 recommended the Fire-Rescue Department resume and retroactively bill for inspections performed on high-rise buildings once the City Council approves the new fee structure. The Fiscal Year 2012 Adopted Budget includes \$600,000 in retroactive collections budgeted as one-time revenue, which represents a conservative estimate for recovery of the more than \$1.0 million of fire inspection costs not recovered in Fiscal Years 2010 and 2011.

### ***Fund Balance Transfers/Uses***

The Fiscal Year 2012 Adopted Budget includes the use of one-time fund balance of approximately \$1.1 million from the QUALCOMM Stadium Operations Fund and \$0.1 million from the PETCO Park Fund. In addition, the General Fund's contribution to the Public Liability Fund has been reduced by \$600,000 due to projected excess funds in the Public Liability Fund. Finally, \$0.7 million in unused sick leave will be transferred to the General Fund. Employees hired prior to July 1, 1975 who had accrued sick leave on the City's payroll records upon termination could be paid out an amount not to exceed 50 percent of their balance at their current salary rate. Following an assessment of the total sick leave liability, it was determined that \$0.7 million of the sick leave balance could be transferred back to the General Fund.

### ***Delinquent Parking Citation Revenue***

As part of the City Auditor's audit of the Office of the City Treasurer's Parking Administration Program, a number of parking citations were identified as delinquent accounts that had not been referred to collections. Based on historical recovery rates, it is anticipated that the City will receive an additional \$1.3 million in one-time revenues in Fiscal Year 2012 associated with those delinquent parking citations. The Police Department budget includes \$947,940 in delinquent parking citation revenue and the remaining \$318,386 is budgeted in the City Treasurer Department.

### ***Revenue Recovery Auditing***

The City currently does not regularly assess the extent to which it receives all revenue generated through the Superior Court. Although the State Controller's Office conducts periodic revenue distribution audits to ensure distributions of municipal court revenue occur in compliance with state law, those audits occur only once every four or more years and do not appear to address Municipal Code-specific violations. Based on the City Auditor's recommendation to identify cost-effective external resources to audit court revenue more frequently, the Fiscal Year 2012 Adopted Budget includes \$500,000 in revenue related to the recovery auditing of municipal court fees.

# Executive Summary

**Table 15: Summary of Fiscal Year 2012 Solutions**

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
<b>One-Time Solutions</b>					
<b>Citywide Program Expenditures</b>					
Public Liability Fund Balance	- \$	- \$	(600,000)	\$ (600,000)	\$ -
<b>Citywide Program Expenditures Total</b>	- \$	- \$	<b>(600,000)</b>	<b>\$ (600,000)</b>	<b>\$ -</b>
<b>Delinquent Parking Citation Revenue</b>					
City Treasurer	- \$	- \$	- \$	- \$	318,386
Police	-	-	-	-	947,940
<b>Delinquent Parking Citation Revenue Total</b>	- \$	- \$	- \$	- \$	<b>1,266,326</b>
<b>Fire-Rescue</b>					
Retroactive High-Rise Fire Inspection Fee	- \$	- \$	- \$	- \$	600,000
Transfer of Emergency Medical Services Fund Balance	-	-	-	-	4,100,000
<b>Fire-Rescue Total</b>	- \$	- \$	- \$	- \$	<b>4,700,000</b>
<b>Fund Balances</b>					
One-time use of QUALCOMM, PETCO, and Sick Leave Fund Balances	- \$	- \$	- \$	- \$	1,802,710
<b>Fund Balances Total</b>	- \$	- \$	- \$	- \$	<b>1,802,710</b>
<b>Major Revenues</b>					
Disaster Recovery and Unclaimed Funds	- \$	- \$	- \$	- \$	5,000,000
<b>Major Revenues Total</b>	- \$	- \$	- \$	- \$	<b>5,000,000</b>
<b>Police</b>					
Revenue Recovery Audit	- \$	- \$	- \$	- \$	500,000
Transfer to the Police Decentralization Fund	-	-	(4,000,000)	(4,000,000)	-
<b>Police Total</b>	- \$	- \$	<b>(4,000,000)</b>	<b>\$ (4,000,000)</b>	<b>500,000</b>
<b>Reserves</b>					
Fiscal Year 2012 Reserves Suspension	- \$	(6,057,813)	\$ (5,737,960)	\$ (11,795,773)	\$ -
<b>Reserves Total</b>	- \$	<b>(6,057,813)</b>	<b>\$ (5,737,960)</b>	<b>\$ (11,795,773)</b>	<b>\$ -</b>
<b>Retiree Health Care Contribution</b>					
Retiree Health Care Contribution	- \$	(1,397,017)	\$ -	\$ (1,397,017)	\$ -
<b>Retiree Health Care Contribution Total</b>	- \$	<b>(1,397,017)</b>	<b>\$ -</b>	<b>\$ (1,397,017)</b>	<b>\$ -</b>
<b>Transportation &amp; Storm Water</b>					
TransNet ARRA Revenue	- \$	- \$	- \$	- \$	6,050,400
<b>Transportation &amp; Storm Water Total</b>	- \$	- \$	- \$	- \$	<b>6,050,400</b>
<b>One-Time Solutions Total</b>	- \$	<b>(7,454,830)</b>	<b>\$ (10,337,960)</b>	<b>\$ (17,792,790)</b>	<b>\$ 19,319,436</b>
<b>On-Going Solutions</b>					
Parking Meter Utilization Program	5.00	\$ 499,222	\$ 24,030	\$ 523,252	\$ 1,586,736
World Trade Center Proceeds	-	-	-	-	2,500,000
<b>Administration</b>					
Reduction in Discretionary IT	- \$	- \$	(1,000)	\$ (1,000)	\$ -
Reduction in Overtime	-	(669)	-	(669)	-
Reduction in Supplies and Contracts	-	-	(21,295)	(21,295)	-
Reduction in Travel and Training	-	-	(928)	(928)	-
Reduction of Senior Management Analyst	(1.00)	(103,142)	-	(103,142)	-
Reduction of Non-Personnel Expenditures	-	-	(18,855)	(18,855)	-

# Executive Summary

**Table 15: Summary of Fiscal Year 2012 Solutions (Cont'd)**

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
Reimbursement From San Diego Medical Services Enterprise (SDMSE)	-	-	-	-	166,465
<b>Administration Total</b>	<b>(1.00)</b>	<b>\$ (103,811)</b>	<b>\$ (42,078)</b>	<b>\$ (145,889)</b>	<b>\$ 166,465</b>
<b>Business Office</b>					
Reduction in Miscellaneous Professional and Technical Services	-	\$ -	\$ (142,832)	\$ (142,832)	\$ -
Reduction in Travel and Training	-	-	(323)	(323)	-
<b>Business Office Total</b>	<b>-</b>	<b>\$ -</b>	<b>\$ (143,155)</b>	<b>\$ (143,155)</b>	<b>\$ -</b>
<b>City Attorney</b>					
Law Library Funding	-	\$ -	\$ (10,000)	\$ (10,000)	\$ -
Publishing Services Managed Competition Savings	-	-	(11,568)	(11,568)	-
Reduction in Discretionary IT	-	-	(22,480)	(22,480)	-
Reduction in Overtime	-	(2,552)	-	(2,552)	-
Reduction in Supplies and Contracts	-	-	(110,990)	(110,990)	-
Reduction in Travel and Training	-	-	(21,693)	(21,693)	-
Reduction of Information Systems Analyst 2	(1.00)	(97,483)	-	(97,483)	-
<b>City Attorney Total</b>	<b>(1.00)</b>	<b>\$ (100,035)</b>	<b>\$ (176,731)</b>	<b>\$ (276,766)</b>	<b>\$ -</b>
<b>City Auditor</b>					
Comprehensive Annual Financial Report (CAFR) Expenditures	-	\$ -	\$ (148,635)	\$ (148,635)	\$ -
Reduction in Discretionary IT	-	-	(1,560)	(1,560)	-
Reduction in Travel and Training	-	-	(25,444)	(25,444)	-
<b>City Auditor Total</b>	<b>-</b>	<b>\$ -</b>	<b>\$ (175,639)</b>	<b>\$ (175,639)</b>	<b>\$ -</b>
<b>City Clerk</b>					
Publishing Services Managed Competition Savings	-	\$ -	\$ (21,395)	\$ (21,395)	\$ -
Reduction in Discretionary IT	-	-	(11,000)	(11,000)	-
Reduction in Overtime	-	(4,884)	-	(4,884)	-
Reduction in Travel and Training	-	-	(6,903)	(6,903)	-
Reduction of Non-Personnel Expenditures	-	-	(45,000)	(45,000)	-
<b>City Clerk Total</b>	<b>-</b>	<b>\$ (4,884)</b>	<b>\$ (84,298)</b>	<b>\$ (89,182)</b>	<b>\$ -</b>
<b>City Comptroller</b>					
Reduction in Discretionary IT	-	\$ -	\$ (10,000)	\$ (10,000)	\$ -
Reduction in Overtime	-	(15,836)	-	(15,836)	-
Reduction in Travel and Training	-	-	(90,390)	(90,390)	-
Reduction of Word Processing Operator	(1.00)	(71,677)	-	(71,677)	-
<b>City Comptroller Total</b>	<b>(1.00)</b>	<b>\$ (87,513)</b>	<b>\$ (100,390)</b>	<b>\$ (187,903)</b>	<b>\$ -</b>
<b>City Council</b>					
Expenditure Budget Realignment	-	\$ (8,025)	\$ -	\$ (8,025)	\$ -
Reduction in Discretionary IT	-	-	(40,248)	(40,248)	-
Reduction in Supplies and Contracts	-	-	(59,488)	(59,488)	-
Reduction in Travel and Training	-	-	(26,883)	(26,883)	-
<b>City Council Total</b>	<b>-</b>	<b>\$ (8,025)</b>	<b>\$ (126,619)</b>	<b>\$ (134,644)</b>	<b>\$ -</b>
<b>City Treasurer</b>					
CALE Contract Lease Agreement	-	\$ -	\$ (51,451)	\$ (51,451)	\$ -
Publishing Services Managed Competition Savings	-	-	(31,214)	(31,214)	-

# Executive Summary

**Table 15: Summary of Fiscal Year 2012 Solutions (Cont'd)**

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
Reduction in Discretionary IT	-	-	(80,000)	(80,000)	-
Reduction in Overtime	-	(31,092)	-	(31,092)	-
Reduction in Travel and Training	-	-	(36,778)	(36,778)	-
Reduction of Banking Merchant Card Fees	-	-	(86,000)	(86,000)	-
<b>City Treasurer Total</b>	-	<b>\$ (31,092)</b>	<b>\$ (285,443)</b>	<b>\$ (316,535)</b>	<b>\$ -</b>
<b>Debt Management</b>					
Reduction in Discretionary IT	-	\$ -	\$ (1,976)	\$ (1,976)	\$ -
Reduction in Overtime	-	(915)	-	(915)	-
Reduction in Supplies and Contracts	-	-	(7,669)	(7,669)	-
Reduction in Travel and Training	-	-	(5,512)	(5,512)	-
<b>Debt Management Total</b>	-	<b>\$ (915)</b>	<b>\$ (15,157)</b>	<b>\$ (16,072)</b>	<b>\$ -</b>
<b>Department of Information Technology</b>					
Reduction in Discretionary IT	-	\$ -	\$ (300)	\$ (300)	\$ -
<b>Department of Information Technology Total</b>	-	<b>\$ -</b>	<b>\$ (300)</b>	<b>\$ (300)</b>	<b>\$ -</b>
<b>Development Services</b>					
Public Use Lease Adjustment	-	\$ -	\$ (137,209)	\$ (137,209)	\$ -
Publishing Services Managed Competition Savings	-	-	(8,167)	(8,167)	-
Reduction in Discretionary IT	-	-	(14,738)	(14,738)	-
Reduction in Overtime	-	(3,258)	-	(3,258)	-
Reduction in Supplies and Contracts	-	-	(43,875)	(43,875)	-
Reduction in Travel and Training	-	-	(22,764)	(22,764)	-
Reduction of Associate Planner	(1.00)	(116,923)	-	(116,923)	-
Reduction of Deputy Director	(1.00)	(183,693)	-	(183,693)	-
Reduction of Graffiti Removal Team	(4.00)	(283,617)	(18,000)	(301,617)	-
Reduction of Park Designer	(1.00)	(134,895)	-	(134,895)	-
Reduction of Planning Support	-	-	(534,253)	(534,253)	-
Reduction of the Planning Director	(1.00)	(261,312)	-	(261,312)	-
Reduction of Word Processing Operator	(1.00)	(71,677)	-	(71,677)	-
<b>Development Services Total</b>	<b>(9.00)</b>	<b>\$ (1,055,375)</b>	<b>\$ (779,006)</b>	<b>\$ (1,834,381)</b>	<b>\$ -</b>
<b>Disability Services</b>					
Reduction in Discretionary IT	-	\$ -	\$ (490)	\$ (490)	\$ -
Reduction in Supplies and Contracts	-	-	(23,319)	(23,319)	-
Reduction in Travel and Training	-	-	(3,287)	(3,287)	-
Reduction of Deputy Chief Operating Officer <sup>1</sup>	(1.00)	(230,987)	-	(230,987)	-
<b>Disability Services Total</b>	<b>(1.00)</b>	<b>\$ (230,987)</b>	<b>\$ (27,096)</b>	<b>\$ (258,083)</b>	<b>\$ -</b>
<b>Economic Development</b>					
Reduction in Discretionary IT	-	\$ -	\$ (850)	\$ (850)	\$ -
Reduction in Travel and Training	-	-	(1,069)	(1,069)	-
Revised Revenue	-	-	-	-	51,249
<b>Economic Development Total</b>	-	<b>\$ -</b>	<b>\$ (1,919)</b>	<b>\$ (1,919)</b>	<b>\$ 51,249</b>



# Executive Summary

**Table 15: Summary of Fiscal Year 2012 Solutions (Cont'd)**

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
<b>Environmental Services</b>					
Automated Refuse Containers	-	\$ -	\$ (300,000)	\$ (300,000)	\$ -
Community Enhancement Program	-	-	(30,000)	(30,000)	-
Environmental Services Operations Station	-	-	(137,762)	(137,762)	-
Reduction in Cellular Phones	-	-	(30,000)	(30,000)	-
Reduction in Discretionary IT	-	-	(51,206)	(51,206)	-
Reduction in Overtime	-	(94,969)	-	(94,969)	-
Reduction in Travel and Training	-	-	(8,751)	(8,751)	-
Reduction of Administrative Aide 2s	(1.35)	(105,191)	-	(105,191)	-
Reduction of Collection Supervisor	(1.00)	(105,748)	-	(105,748)	-
Reduction of Hazmat Inspector 2	(0.50)	(48,350)	-	(48,350)	-
Reduction of Human Resources Analyst	(0.35)	(37,226)	-	(37,226)	-
Reduction of Public Hold Harmless Agreements	(3.00)	(273,545)	(548,137)	(821,682)	187,620 <sup>2</sup>
Reduction of Small Business Customers	(1.00)	(92,298)	(262,832)	(355,130)	81,090 <sup>2</sup>
Reduction of Utility Worker 2s	(1.85)	(117,247)	-	(117,247)	-
<b>Environmental Services Total</b>	<b>(9.05)</b>	<b>\$ (874,574)</b>	<b>\$ (1,368,688)</b>	<b>\$ (2,243,262)</b>	<b>\$ 268,710</b>
<b>Ethics Commission</b>					
Reduction in Discretionary IT	-	\$ -	\$ (490)	\$ (490)	\$ -
Reduction in Supplies and Contracts	-	-	(3,183)	(3,183)	-
Reduction in Travel and Training	-	-	(1,985)	(1,985)	-
<b>Ethics Commission Total</b>	<b>-</b>	<b>\$ -</b>	<b>\$ (5,658)</b>	<b>\$ (5,658)</b>	<b>\$ -</b>
<b>Financial Management</b>					
Publishing Services Managed Competition Savings	-	\$ -	\$ (11,435)	\$ (11,435)	\$ -
Reduction in Discretionary IT	-	-	(10,000)	(10,000)	-
Reduction in Overtime	-	(15,627)	-	(15,627)	-
Reduction in Travel and Training	-	-	(31,507)	(31,507)	-
<b>Financial Management Total</b>	<b>-</b>	<b>\$ (15,627)</b>	<b>\$ (52,942)</b>	<b>\$ (68,569)</b>	<b>\$ -</b>
<b>Fire-Rescue</b>					
MRO Savings	-	\$ -	\$ (85,000)	\$ (85,000)	\$ -
Publishing Services Managed Competition Savings	-	-	(19,521)	(19,521)	-
Reduction in Discretionary IT	-	-	(50,000)	(50,000)	-
Reduction in Helicopter Services	-	-	(218,066)	(218,066)	-
Reduction in Supplies and Contracts	-	-	(340,132)	(340,132)	-
Reduction in Terminal Leave	-	(353,446)	-	(353,446)	-
Renegotiated San Diego Airport Contract	-	-	-	-	1,000,000
Revenue from New/Revised User Fees	-	-	-	-	4,963,625
Transfer of Emergency Medical Services Revenue	-	-	-	-	1,000,000
<b>Fire-Rescue Total</b>	<b>-</b>	<b>\$ (353,446)</b>	<b>\$ (712,719)</b>	<b>\$ (1,066,165)</b>	<b>\$ 6,963,625</b>
<b>Human Resources</b>					
Reduction in Discretionary IT	-	\$ -	\$ (2,490)	\$ (2,490)	\$ -

# Executive Summary

**Table 15: Summary of Fiscal Year 2012 Solutions (Cont'd)**

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
Reduction in Supplies and Contracts	-	-	(11,513)	(11,513)	-
Reduction in Travel and Training	-	-	(13,092)	(13,092)	-
<b>Human Resources Total</b>	-	\$ -	\$ (27,095)	\$ (27,095)	\$ -
<b>Library</b>					
Reduction in Discretionary IT	-	\$ -	\$ (17,261)	\$ (17,261)	\$ -
Reduction in Overtime	-	(14,059)	-	(14,059)	-
Reduction in Travel and Training	-	-	(11,931)	(11,931)	-
<b>Library Total</b>	-	\$ (14,059)	\$ (29,192)	\$ (43,251)	\$ -
<b>Major Revenues</b>					
Funding for Convention Center Debt Payment	-	\$ -	\$ -	\$ -	\$ 2,000,000
Redevelopment Agency Debt Repayment	-	-	-	-	800,336
Revised Interest Earnings	-	-	-	-	156,883
Sales Tax Revenue Increase	-	-	-	-	2,060,000
TOT Revenue	-	-	-	-	2,119,499
<b>Major Revenues Total</b>	-	\$ -	\$ -	\$ -	\$ 7,136,718
<b>Office of Homeland Security</b>					
Reduction in Discretionary IT	-	\$ -	\$ (1,190)	\$ (1,190)	\$ -
Reduction in Travel and Training	-	-	(12,253)	(12,253)	-
Reduction of Non-Personnel Expenditures	-	-	(20,000)	(20,000)	-
Revised Revenue	-	-	-	-	37,780
<b>Office of Homeland Security Total</b>	-	\$ -	\$ (33,443)	\$ (33,443)	\$ 37,780
<b>Office of the Assistant COO</b>					
Reduction in Travel and Training	-	\$ -	\$ (1,719)	\$ (1,719)	\$ -
Reduction of Non-Personnel Expenditures	-	-	(3,766)	(3,766)	-
<b>Office of the Assistant COO Total</b>	-	\$ -	\$ (5,485)	\$ (5,485)	\$ -
<b>Office of the Chief Financial Officer</b>					
Adjustment of Contractual Services	-	\$ -	\$ (98,806)	\$ (98,806)	\$ -
Reduction in Discretionary IT	-	-	(295)	(295)	-
Reduction in Travel and Training	-	-	(10,457)	(10,457)	-
Revenue Increase for Partnership Program	-	-	-	-	300,000
<b>Office of the Chief Financial Officer Total</b>	-	\$ -	\$ (109,558)	\$ (109,558)	\$ 300,000
<b>Office of the Chief Operating Officer</b>					
Reduction in Discretionary IT	-	\$ -	\$ (520)	\$ (520)	\$ -
Reduction in Supplies and Contracts	-	-	(2,699)	(2,699)	-
Reduction in Travel and Training	-	-	(4,846)	(4,846)	-
<b>Office of the Chief Operating Officer Total</b>	-	\$ -	\$ (8,065)	\$ (8,065)	\$ -
<b>Office of the IBA</b>					
Reduction in Supplies and Contracts	-	\$ -	\$ (5,015)	\$ (5,015)	\$ -
Reduction in Travel and Training	-	-	(5,784)	(5,784)	-
<b>Office of the IBA Total</b>	-	\$ -	\$ (10,799)	\$ (10,799)	\$ -
<b>Office of the Mayor</b>					
Reduction in Discretionary IT	-	\$ -	\$ (4,988)	\$ (4,988)	\$ -
Reduction in Overtime	-	(3,427)	-	(3,427)	-

# Executive Summary

**Table 15: Summary of Fiscal Year 2012 Solutions (Cont'd)**

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
Reduction in Supplies and Contracts	-	-	(12,356)	(12,356)	-
Reduction in Travel and Training	-	-	(10,000)	(10,000)	-
Reduction of Miscellaneous Expenditures	-	-	(25,000)	(25,000)	-
<b>Office of the Mayor Total</b>	<b>-</b>	<b>\$ (3,427)</b>	<b>\$ (52,344)</b>	<b>\$ (55,771)</b>	<b>\$ -</b>
<b>Park &amp; Recreation</b>					
MRO Savings	-	\$ -	\$ (255,000)	\$ (255,000)	\$ -
Publishing Services Managed Competition Savings	-	-	(16,437)	(16,437)	-
Reduction in Cellular Phones	-	-	(60,000)	(60,000)	-
Reduction in Discretionary IT	-	-	(14,218)	(14,218)	-
Reduction in Overtime	-	(81,050)	-	(81,050)	-
Reduction in Supplies and Contracts	-	-	(706,563)	(706,563)	-
Reduction in Travel and Training	-	-	(30,186)	(30,186)	-
Reduction of Assistant Park Designer	(1.00)	(82,075)	(10,000)	(92,075)	-
Reduction of Brush Thinning Contracts	-	-	(73,500)	(73,500)	-
Reduction of Grounds Maintenance Manager	(1.00)	(91,265)	(7,720)	(98,985)	-
Reduction of Intermediate Stenographer	(1.00)	(62,166)	-	(62,166)	-
Reduction of Mid-City Gym Recreation Center Director	(1.00)	(95,997)	-	(95,997)	-
Reduction of Park Ranger	(1.00)	(75,637)	(5,000)	(80,637)	-
Reduction of Trail Maintenance Contracts	-	-	(133,576)	(133,576)	-
Reduction of Word Processing Operator	(1.00)	(71,677)	(10,000)	(81,677)	-
Reduction to Kumeyaay Campground	(1.13)	(107,896)	(73,768)	(181,664)	(21,338)
Reduction to Turf Mowing Schedule	(8.00)	(488,320)	(205,979)	(694,299)	-
Support for Safety and Maintenance of Visitor-Related Facilities	-	-	-	-	1,304,307
<b>Park &amp; Recreation Total</b>	<b>(15.13)</b>	<b>\$ (1,156,083)</b>	<b>\$ (1,601,947)</b>	<b>\$ (2,758,030)</b>	<b>\$ 1,282,969</b>
<b>Personnel</b>					
Adjustment in Non-Personnel Expenditures	-	\$ -	\$ (12,290)	\$ (12,290)	\$ -
Reduction in Discretionary IT	-	-	(10,960)	(10,960)	-
Reduction in Employment Services	-	-	(7,613)	(7,613)	-
Reduction in Overtime	-	(4,422)	-	(4,422)	-
Reduction in Supplies and Contracts	-	-	(20,001)	(20,001)	-
Reduction in Travel and Training	-	-	(323)	(323)	-
Reduction of Associate Personnel Analyst	(1.00)	(110,008)	-	(110,008)	-
<b>Personnel Total</b>	<b>(1.00)</b>	<b>\$ (114,430)</b>	<b>\$ (51,187)</b>	<b>\$ (165,617)</b>	<b>\$ -</b>
<b>Police</b>					
Information Technologies Efficiencies	-	\$ -	\$ (1,322,472)	\$ (1,322,472)	\$ -
MRO Savings	-	-	(127,500)	(127,500)	-
Publishing Services Managed Competition Savings	-	-	(24,512)	(24,512)	-
Reduction in Discretionary IT	-	-	(50,000)	(50,000)	-
Reduction in Supplies and Contracts	-	-	(440,338)	(440,338)	-
Reduction in Terminal Leave	-	(46,554)	-	(46,554)	-
Reduction of Administrative Aide 2	(1.00)	(77,920)	-	(77,920)	-

# Executive Summary

**Table 15: Summary of Fiscal Year 2012 Solutions (Cont'd)**

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
Reduction of Associate Management Analyst	(1.00)	(95,173)	-	(95,173)	-
Reduction of Clerical Assistant 2	(0.50)	(36,729)	-	(36,729)	-
Reduction of Multimedia Production Specialist	(1.00)	(79,383)	-	(79,383)	-
Reduction of Sworn Personnel Uniform Allowance	-	-	(200,000)	(200,000)	-
Reduction of Vacant Sworn Positions	(20.00)	(2,772,361)	-	(2,772,361)	-
Revenue from New/Revised User Fees	-	-	-	-	323,451
<b>Police Total</b>	<b>(23.50)</b>	<b>\$ (3,108,120)</b>	<b>\$ (2,164,822)</b>	<b>\$ (5,272,942)</b>	<b>\$ 323,451</b>
<b>Public Utilities</b>					
Elimination of Boat Rentals	-	\$ -	\$ (157,800)	\$ (157,800)	\$ (71,500)
Elimination of Fish Stocking	-	-	(83,248)	(83,248)	(30,000)
Reduction of Fishing Season	-	-	(13,375)	(13,375)	(8,571)
<b>Public Utilities Total</b>	<b>-</b>	<b>\$ -</b>	<b>\$ (254,423)</b>	<b>\$ (254,423)</b>	<b>\$ (110,071)</b>
<b>Public Works - Engineering &amp; Capital Projects</b>					
Publishing Services Managed Competition Savings	-	\$ -	\$ (18,003)	\$ (18,003)	\$ -
Reduction in Cellular Phones	-	-	(30,000)	(30,000)	-
Reduction in Discretionary IT	-	-	(59,844)	(59,844)	-
Reduction in Overtime	-	(79,231)	-	(79,231)	-
Reduction in Travel and Training	-	-	(107,748)	(107,748)	-
Reduction of Associate Engineer - Civil	(1.00)	(114,048)	(113,827)	(227,875)	-
Reduction of Engineering & Capital Projects Director	(1.00)	(233,031)	-	(233,031)	-
Reduction of Land Surveying and Materials Lab Testing	-	-	(247,533)	(247,533)	-
Reduction of Office Supplies	-	-	(110,578)	(110,578)	-
Reduction of Clerical Assistant 2	(1.00)	(59,515)	(22,106)	(81,621)	-
Reduction of Tuition Reimbursement	-	-	(8,108)	(8,108)	-
<b>Public Works - Engineering &amp; Capital Projects Total</b>	<b>(3.00)</b>	<b>\$ (485,825)</b>	<b>\$ (717,747)</b>	<b>\$ (1,203,572)</b>	<b>\$ -</b>
<b>Public Works - General Services</b>					
MRO Savings	-	\$ -	\$ (255,000)	\$ (255,000)	\$ -
Reduction in Cellular Phones	-	-	(30,000)	(30,000)	-
Reduction in Discretionary IT	-	-	(2,444)	(2,444)	-
Reduction in Overtime	-	(32,276)	-	(32,276)	-
Reduction in Travel and Training	-	-	(9,121)	(9,121)	-
<b>Public Works - General Services Total</b>	<b>-</b>	<b>\$ (32,276)</b>	<b>\$ (296,565)</b>	<b>\$ (328,841)</b>	<b>\$ -</b>
<b>Purchasing &amp; Contracting</b>					
Reduction in Discretionary IT	-	\$ -	\$ (2,500)	\$ (2,500)	\$ -
Reduction in Overtime	-	(1,172)	-	(1,172)	-
Reduction in Supplies and Contracts	-	-	(15,375)	(15,375)	-
Reduction in Travel and Training	-	-	(19,439)	(19,439)	-
Reduction of Non-Personnel Expenditures	-	-	(8,595)	(8,595)	-
<b>Purchasing &amp; Contracting Total</b>	<b>-</b>	<b>\$ (1,172)</b>	<b>\$ (45,909)</b>	<b>\$ (47,081)</b>	<b>\$ -</b>

# Executive Summary

**Table 15: Summary of Fiscal Year 2012 Solutions (Cont'd)**

General Fund Department	FTE	PE	NPE	Total Expenditures	Total Revenue
<b>Real Estate Assets</b>					
Reduction in Discretionary IT	-	\$ -	\$ (1,992)	\$ (1,992)	\$ -
Reduction in Supplies and Contracts	-	-	(23,171)	(23,171)	-
Reduction in Travel and Training	-	-	(24,760)	(24,760)	-
Reduction of Promotional Advertising	-	-	(3,500)	(3,500)	-
Reduction of Supervising Property Agent	(1.00)	(135,001)	-	(135,001)	-
<b>Real Estate Assets Total</b>	<b>(1.00)</b>	<b>\$ (135,001)</b>	<b>\$ (53,423)</b>	<b>\$ (188,424)</b>	<b>\$ -</b>
<b>Transportation &amp; Storm Water</b>					
MRO Savings	-	\$ -	\$ (25,500)	\$ (25,500)	\$ -
Publishing Services Managed Competition Savings	-	-	(68,995)	(68,995)	-
Reduction in Cellular Phones	-	-	(50,000)	(50,000)	-
Reduction in Discretionary IT	-	-	(34,960)	(34,960)	-
Reduction in Overtime	-	(114,561)	-	(114,561)	-
Reduction in Supplies and Contracts	-	-	(588,660)	(588,660)	-
Reduction in Travel and Training	-	-	(39,565)	(39,565)	-
Reduction of Positions and Overtime	(3.00)	(401,056)	-	(401,056)	-
Reduction of Professional/Technical Services	-	-	(74,985)	(74,985)	-
Reduction of Public Outreach Programs	-	-	(750,000)	(750,000)	-
<b>Transportation &amp; Storm Water Total</b>	<b>(3.00)</b>	<b>\$ (515,617)</b>	<b>\$ (1,632,665)</b>	<b>\$ (2,148,282)</b>	<b>\$ -</b>
<b>On-Going Solutions Total</b>	<b>(63.68)</b>	<b>\$ (7,933,072)</b>	<b>\$ (11,168,477)</b>	<b>\$ (19,101,549)</b>	<b>\$ 20,507,632</b>
<b>Grand Total</b>	<b>(63.68)</b>	<b>\$ (15,387,902)</b>	<b>\$ (21,506,437)</b>	<b>\$ (36,894,339)</b>	<b>\$ 39,827,068</b>

<sup>1</sup> Deputy Chief Operating Officer was part of Public Works Department in Fiscal Year 2011. As part of the Public Works restructure, Disability Services will be a stand-alone department in Fiscal Year 2012.

<sup>2</sup> Revenue is budgeted in the Major Revenues Department.

**Table 16: Summary of General Fund Position Adjustments**

General Fund Department	Job Class Description	Bargaining Unit	FTE	FY 2012 Impact
<b>Parking Meter Utilization Program</b>				
City Treasurer	Parking Meter Supervisor	MEA	1.00	\$ 85,075
	Parking Meter Technician	LOCAL 127 AFSCME	3.00	234,816
Development Services	Senior Traffic Engineer	MEA	1.00	129,331
<b>Parking Meter Utilization Program Total</b>			<b>5.00</b>	<b>\$ 449,222</b>
<b>Administration</b>				
Reduction of Senior Management Analyst	Senior Management Analyst	MEA	(1.00)	\$ (103,142)
<b>Administration Total</b>			<b>(1.00)</b>	<b>\$ (103,142)</b>
<b>City Attorney</b>				
Reduction of Information Systems Analyst 2	Information Systems Analyst 2	Classified Unrepresented	(1.00)	\$ (97,483)
<b>City Attorney Total</b>			<b>(1.00)</b>	<b>\$ (97,483)</b>

# Executive Summary

**Table 16: Summary of General Fund Position Adjustments (Cont'd)**

General Fund Department	Job Class Description	Bargaining Unit	FTE	FY 2012 Impact
<b>City Comptroller</b>				
Reduction of Word Processing Operator	Word Processing Operator	MEA	(1.00)	\$ (71,677)
<b>City Comptroller Total</b>			<b>(1.00)</b>	<b>\$ (71,677)</b>
<b>Development Services</b>				
Reduction of Associate Planner	Associate Planner	MEA	(1.00)	\$ (116,923)
Reduction of Deputy Director	Deputy Director	Unclassified Unrepresented	(1.00)	(183,693)
Reduction of Graffiti Removal Team	Utility Worker 1	LOCAL 127 AFSCME	(2.00)	(137,847)
	Utility Worker 2	LOCAL 127 AFSCME	(2.00)	(145,770)
Reduction of Park Designer	Park Designer	MEA	(1.00)	(134,895)
Reduction of the Planning Director	Planning Director		(1.00)	(261,312)
Reduction of Word Processing Operator	Word Processing Operator	MEA	(1.00)	(71,677)
<b>Development Services Total</b>			<b>(9.00)</b>	<b>\$ (1,052,117)</b>
<b>Disability Services</b>				
Reduction of Deputy Chief Operating Officer <sup>1</sup>	Deputy Chief Operating Officer	Unclassified Unrepresented	(1.00)	\$ (230,987)
<b>Disability Services Total</b>			<b>(1.00)</b>	<b>\$ (230,987)</b>
<b>Environmental Services</b>				
Reduction of Administrative Aide 2s	Administrative Aide 2	MEA	(1.35)	\$ (105,191)
Reduction of Collection Supervisor	Area Refuse Collection Supervisor	MEA	(1.00)	(105,748)
Reduction of Hazmat Inspector 2	Hazardous Materials Inspector 2	MEA	(0.50)	(48,350)
Reduction of Human Resources Analyst	Senior Department Human Resources Analyst	Classified Unrepresented	(0.35)	(37,226)
Reduction of Public Hold Harmless Agreements	Sanitation Driver 1	LOCAL 127 AFSCME	(1.00)	(86,242)
	Sanitation Driver 2	LOCAL 127 AFSCME	(1.00)	(93,808)
	Sanitation Driver 3	LOCAL 127 AFSCME	(1.00)	(93,495)
Reduction of Small Business Customers	Sanitation Driver 2	LOCAL 127 AFSCME	(1.00)	(92,298)
Reduction of Utility Worker 2s	Utility Worker 2	LOCAL 127 AFSCME	(1.85)	(117,247)
<b>Environmental Services Total</b>			<b>(9.05)</b>	<b>\$ (779,605)</b>
<b>Park &amp; Recreation</b>				
Reduction of Assistant Park Designer	Assistant Park Designer	MEA	(1.00)	\$ (82,075)
Reduction of Grounds Maintenance Manager	Grounds Maintenance Manager	MEA	(1.00)	(91,265)
Reduction of Intermediate Stenographer	Intermediate Stenographer	MEA	(1.00)	(62,166)
Reduction of Mid-City Gym Recreation Center Director	Recreation Center Director 1	MEA	(1.00)	(95,997)
Reduction of Park Ranger	Park Ranger	MEA	(1.00)	(75,637)



# Executive Summary

**Table 16: Summary of General Fund Position Adjustments (Cont'd)**

General Fund Department	Job Class Description	Bargaining Unit	FTE	FY 2012 Impact
Reduction of Word Processing Operator	Word Processing Operator	MEA	(1.00)	(71,677)
Reduction to Kumeyaay Campground	Park Ranger	MEA	(0.75)	(66,668)
	Recreation Center Director 1	MEA	(0.38)	(41,228)
Reduction to Turf Mowing Schedule	Grounds Maintenance Worker 2	LOCAL 127 AFSCME	(8.00)	(488,320)
<b>Park &amp; Recreation Total</b>			<b>(15.13)</b>	<b>\$ (1,075,033)</b>
<b>Personnel</b>				
Reduction of Associate Personnel Analyst	Associate Personnel Analyst	Classified Unrepresented	(1.00)	\$ (110,008)
<b>Personnel Total</b>			<b>(1.00)</b>	<b>\$ (110,008)</b>
<b>Police</b>				
Reduction of Administrative Aide 2	Administrative Aide 2	MEA	(1.00)	\$ (77,920)
Reduction of Associate Management Analyst	Associate Management Analyst	MEA	(1.00)	(95,173)
Reduction of Clerical Assistant 2	Clerical Assistant 2	MEA	(0.50)	(36,729)
Reduction of Multimedia Production Specialist	Multimedia Production Specialist	MEA	(1.00)	(79,383)
Reduction of Vacant Sworn Positions	Police Detective	MEA	(12.00)	(1,558,295)
	Police Sergeant	MEA	(8.00)	(1,214,066)
<b>Police Total</b>			<b>(23.50)</b>	<b>\$ (3,061,566)</b>
<b>Public Works - Engineering &amp; Capital Projects</b>				
Reduction of Associate Engineer - Civil	Associate Engineer-Civil	MEA	(1.00)	\$ (114,048)
Reduction of Engineering & Capital Projects Director	Engineering and Capital Projects Director	Unclassified Unrepresented	(1.00)	(233,031)
Reduction of Clerical Assistant 2	Clerical Assistant 2	MEA	(1.00)	(59,515)
<b>Public Works - Engineering &amp; Capital Projects Total</b>			<b>(3.00)</b>	<b>\$ (406,594)</b>
<b>Real Estate Assets</b>				
Reduction of Supervising Property Agent	Associate Property Agent	MEA	-	\$ (1,524)
	Supervising Property Agent	MEA	(1.00)	(133,477)
<b>Real Estate Assets Total</b>			<b>(1.00)</b>	<b>\$ (135,001)</b>
<b>Transportation &amp; Storm Water</b>				
Reduction of Positions and Overtime	Equipment Technician 2	LOCAL 127 AFSCME	(1.00)	\$ (81,674)
	Public Works Superintendent	MEA	(1.00)	(117,328)
	Welder	LOCAL 127 AFSCME	(1.00)	(90,604)
<b>Transportation &amp; Storm Water Total</b>			<b>(3.00)</b>	<b>\$ (289,606)</b>
<b>Grand Total</b>			<b>(63.68)</b>	<b>\$ (6,963,597)</b>

<sup>1</sup> Deputy Chief Operating Officer was part of Public Works Department in Fiscal Year 2011. As part of the Public Works restructure, Disability Services will be a stand-alone department in Fiscal Year 2012.

# Executive Summary

## General Fund Revenues

General Fund revenues are dependent on the growth of the local economy and are also affected by the State and nationwide economy. The Fiscal Year 2012 Adopted Budget was based on Fiscal Year 2011 year-end projections and economic data through May 2011, the most recent information available at the time the budget was prepared. However, since the adoption of the Fiscal Year 2012 Budget there has been increased economic uncertainty in the U.S. that may impact the recovery the City experienced in Fiscal Year 2011. General Fund revenues will continue to be monitored during Fiscal Year 2012 and, if necessary, the budget will be modified.

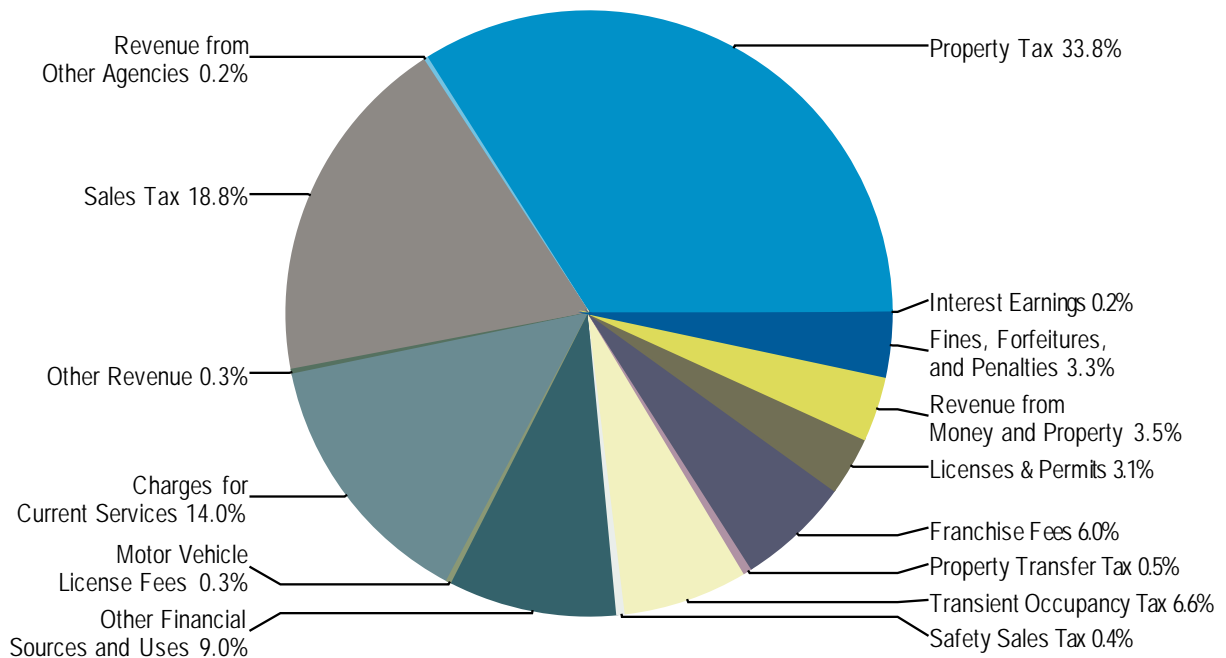
Following are some of the economic indicators and assumptions that are used in the preparation of the Fiscal Year 2012 Adopted Budget for the General Fund. In most cases, the indicators used to prepare the Fiscal Year 2012 Adopted Budget were through May 2011. Updated indicators are presented below where available:

- The Index of Leading Economic Indicators for San Diego County has increased 7.0 percent over the last twelve months (as of May 2011) from an index level of 109.5 to 117.2. The Index subsequently declined to a level of 117.0 as of June 2011 (University of San Diego, Index of Leading Economic Indicators).
- San Diego County's consumer confidence index has increased 5.8 percent over the past twelve months (as of May 2011). The index subsequently declined 1.1 percent from May 2011 to June 2011. (University of San Diego, Index of Leading Economic Indicators).
- Consumer spending in the City of San Diego on taxable items for the prior twelve months, as of May 2011, increased 7.0 percent as compared to the prior year. Consumer spending on taxable items has also increased five consecutive quarters after declining the previous seven consecutive quarters (California State Board of Equalization).
- San Diego's unemployment rate was 9.6 percent as of May 2011, and increased to 10.5 percent as of July 2011.
- Total home sales in San Diego for the prior twelve month (June 2010 - May 2011) period totaled 35,493, which is a decline of 10.8 percent from 39,811 home sales from the prior twelve month period (June 2009 - May 2010). The total number of home sales in June 2011 decreased 11.3 percent from the number of sales in June 2010 (San Diego County Assessor/Recorder/Clerk's Office).
- The median countywide home price as of May 2011 is \$334,545 and increased to \$342,967 as of June 2011. The June 2011 median countywide home price is a decrease of 1.9 percent from June 2010 (DataQuick Information Systems).
- Countywide foreclosures (June 2010 - May 2011) totaled 12,794 which is a decline of 20.3 percent from 16,094 from the prior twelve month period (June 2009 - May 2010). Notices of default, an indicator of potential future foreclosure levels, totaled 23,087 (June 2010 - May 2011), a decline of 26.0 percent from 31,192 notices of default (June 2009 - May 2010). Total foreclosures and notices of default in June and July of 2011 were down 3.2 and 19.0 percent, respectively, from levels experienced in June and July of 2010 (San Diego County Assessor/Recorder/Clerk's Office).
- The City's median income is forecasted to grow 4.9 percent from approximately \$50,000 to \$52,500 from calendar year 2010 to 2015 (San Diego Association of Governments).
- The County of San Diego consumer price index (CPI) increased 1.2 percent in calendar year 2010 (United States Bureau of Labor Statistics).

## Executive Summary

**Figure 4** displays the Fiscal Year 2012 Adopted General Fund Revenues by Major Revenue Category.

**Figure 4: Fiscal Year 2012 General Fund Revenues - \$1.13 Billion**



**Note:** Numbers may not add to 100% due to rounding.

**Table 17** demonstrates the growth rates for Fiscal Years 2010 to 2012 for the major General Fund revenues. Forecasting of revenue growth rates is important in determining funding for most General Fund expenditures.

**Table 17: Major Revenue Budgeted Growth Rate<sup>1</sup>**

Major Revenue Sources	FY 2010 Adopted Budget	FY 2011 Adopted Budget	FY 2012 Adopted Budget
Property Tax	(3.3)%	(0.1)%	0.0%
Sales Tax <sup>2</sup>	(1.4)%	1.3%	4.0%
Transient Occupancy Tax	(3.4)%	0.2%	4.0%
<b>Franchise Fees<sup>3</sup></b>			
SDG&E	2.8%	0.0%	3.0%
Cable Franchise Fees	2.4%	1.6%	3.0%

<sup>1</sup> Numbers in table represent budgeted growth rates only.

<sup>2</sup> Does not include Proposition 172 sales tax. Growth rate in table is for taxable sales only.

<sup>3</sup> Franchise fees do not include underground utility surcharge.

# Executive Summary

## User Fees

User fees are charges for services provided by the City to residents and businesses. The City's User Fee Policy includes guidelines for establishing a comprehensive user fee schedule and requires that the full cost of services be identified and all fees be categorized according to the level of cost recovery. The objective of the Policy is to bring existing fee levels in line with service costs to ensure that all reasonable costs incurred in the provision of services are being recovered.

The User Fee Policy states that a comprehensive user fee study shall be conducted every three years; between such time, fees will be adjusted annually during the budget development process based on the California Consumer Price Index (CCPI) rate or other applicable inflators to maintain the cost recovery level.

In Fiscal Year 2012, the total increase in revenue from user fee adjustments is \$5.3 million. However, \$4.0 million of this revenue will now be associated with the new agreement with Rural/Metro. Effective July 1, 2011, a new Emergency Medical Services Agreement between Rural/Metro of San Diego, Inc. and the City of San Diego was initiated. This agreement established a new average patient charge and an annual operating fee to be paid by Rural Metro to the City.

The following are General Fund departments that adjusted user fees in Fiscal Year 2012.

- Fire-Rescue (new fees): \$1.0 million
- Police (revised fees): \$323,451

The Fire-Rescue Department will implement two new fees in Fiscal Year 2012. An air medical billing fee was approved by City Council on June 28, 2011. The department is also expected to bring a proposal to City Council to implement a false alarm permitting fee. The Police Department adjusted several existing fees, most of which are entertainment permit fees.

## State of California Budget Impacts

The Fiscal Year 2012 State budget included \$27.2 billion of actions to close the State budget deficit. Actions that will impact the City are described in greater detail below.

### ***Redevelopment Agencies***

The State Legislature passed the Dissolution Act ((AB) x1 26) and Alternative Voluntary Redevelopment Program Act ((AB) x1 27) on June 28, 2011. The Dissolution Act dissolves redevelopment agencies Statewide effective October 1, 2011, which would result in redirecting local property tax increment to fund schools and other agencies. The Alternative Voluntary Redevelopment Program Act ((AB) x1 27) allows for any redevelopment agency to continue to exist as long as its counterpart city pays an annual remittance amount to the local county auditor, which then would be disbursed to local schools and other local agencies. The City Council enacted a resolution on August 1, 2011 allowing the City to comply with the Alternative Voluntary Redevelopment Program Act and remit to the local county auditor an estimated \$69.2 million in property tax increment revenue for Fiscal Year 2012. On August 15, 2011, the Redevelopment Agency filed an appeal with the State Department of Finance seeking a reduction of approximately \$13 million in the annual remittance amount for Fiscal Year 2012. That appeal is expected to be resolved by October 15, 2011. The annual remittance payments will not be derived from the City's General Fund or other funds, but will be paid from restricted redevelopment funds. In subsequent years, the City also will be required to pay a lesser annual remittance amount to the local county auditor, currently estimated to be \$16.4 million in Fiscal Year 2013. The Redevelopment Agency's

## Executive Summary

three entities, San Diego's Centre City Development Corporation, Redevelopment Agency, and Southeastern Economic Development Corporation are currently reviewing which projects will be impacted by the payment of the annual remittance amount.

On July 18, 2011, the California Redevelopment Agency filed a petition with the California Supreme Court seeking to invalidate both the Dissolution Act and Alternative Voluntary Redevelopment Program Act. The Supreme Court has issued an injunction by keeping certain provisions of the Dissolution Act intact, but suspending other remaining provisions and nearly all of the provisions in the Alternative Voluntary Redevelopment Program Act. As a result, the Redevelopment Agency's ability to operate under the Alternative Voluntary Redevelopment Program Act is presently in question. The Redevelopment Agency is currently evaluating the impact of the partial injunction on its ability to proceed with its operations. The Supreme Court expects to issue a final ruling by January 15, 2012.

### ***Motor Vehicle License Fee Rate***

In April 2009, the State increased the total sales tax and motor vehicle license fee (MVLFF) rates by 1.0 and 0.65 percent, respectively, to help mitigate their then forecasted budget deficit. These tax increases expired on June 30, 2011 and are no longer charged to tax payers. This temporary increase in the MVLFF rate was utilized by the State to provide public safety grants to local governments in the form of Citizen's Options for Public Safety (COPS) and offsets to booking fees that are required to be paid by the City. However, with the expiration of the increase in the MVLFF rate, these sources of revenue were at risk. Subsequent to the completion of the City of San Diego's Fiscal Year 2012 Adopted Budget, the State passed SB89 which eliminates local MVLFF revenues (\$3.3 million in the Adopted Budget) and redirects this revenue to continue to providing public safety grants.

### ***Booking Fees***

The City pays jail booking fees to the County of San Diego for bookings of municipal code and misdemeanor violations. The booking fee payment is budgeted at the full projected \$5.3 million in Fiscal Year 2012 with no budgeted offsetting contribution from the State that would reduce this required payment. However, with the MVLFF shift that eliminated local revenues to continue public safety grants, the City may receive an offset to the booking fee payment that would reduce the \$5.3 million budget figure. In Fiscal Year 2011 the State paid the County approximately \$2.0 million which offsets the City's payment, and the potential offset in Fiscal Year 2012 may be similar. Due to this uncertainty, any offset to this required payment is not projected in the City's Fiscal Year 2012 Adopted Budget and any potential distribution will be monitored throughout the fiscal year.

### ***Citizens' Option for Public Safety Funding***

The City is also expected to receive funding from the State restricted for Citizens' Option for Public Safety (COPS) funded through the MVLFF shift described above. The Fiscal Year 2012 Adopted Budget includes \$1.3 million in COPS revenue. Updated revenue projections for COPS after the development of the FY 2012 Adopted Budget, provided to the City by the California Local Government Finance Almanac, reflect a payment of \$2.1 million. The City will monitor this COPS allocation during the fiscal year and adjust projections as necessary.

### ***Gasoline Taxes***

For Fiscal Year 2012, the City budgeted \$15.2 million to be received in Proposition 42 'replacement revenue'<sup>1</sup> and \$22.2 million in Highway Users Tax Account (HUTA) gas tax. The State's restructuring

---

<sup>1</sup> Generated from flat 17.3 cent per gallon tax, which replaced the 6 percent tax that generated Proposition 42 revenue prior to Fiscal Year 2011.

# Executive Summary

of gasoline taxes allows both HUTA and the Proposition 42 'replacement revenues' to be redirected back to the State's general fund at any time if the State's legislature votes in majority to do so. The Fiscal Year 2012 adopted revenue budget for the State of California does not include redirection of these local revenue sources.

Fiscal measures taken by the State are being monitored by the City for their potential effects on General Fund revenues and expected cash flows. Changes to projected revenues included in the Fiscal Year 2012 Adopted Budget due to actions taken by the State will be addressed in the City's quarterly budget monitoring reports.

## Fiscal Policies

The City has made progress in developing sound fiscal policies to guide decision making. The City has established a new Budget Policy to guide the creation of the City's budget, and continues to modify existing policies and procedures to foster responsible fiscal management. A detailed explanation of these fiscal policies is included in the Fiscal Policies section of this Volume.

## Economic Recovery

The City has made it a top priority to focus on economic recovery and regaining fiscal stability through a number of programs and initiatives:

- Business Support and Expansion Programs
- Economic Roundtables
- Small Business Development Programs

The City's economic policies will also continue to focus on the growth of its economic base. This base primarily consists of four "clusters" or groups of related industries: manufacturing, international trade and logistics, tourism, and the military.

## Reengineering and Competitive Government

The Reengineering Program oversees the City's Business Process Reengineering (BPR) studies, conducts efficiency studies, and provides support for management reforms and effectiveness improvements. In this time of decreasing revenues, the Reengineering Program helps identify efficiency gains that can permit "smart" budget reduction proposals and works to improve efficiency to support organizational success, even in an environment of fewer resources.

BPR is the redesign of work processes (activities, services, or functions) for substantial improvement. Efficiency studies also aim to improve efficiency and effectiveness, but are more flexible in their approach to problem solving.

Competitive government is defined as a government with processes in place to validate that service quality and costs are as good as, or superior to, any legitimate provider available. This may be achieved via direct outsourcing, managed competition, benchmarking, and bid-to-goal processes.

The Fiscal Year 2012 Adopted Budget reflects the changes from the implementation of the Publishing Services competition, the first function to be successfully bid under the Managed Competition program. City employees submitted the winning bid that reduced over 10.00 budgeted FTE positions and \$1.0 million in total expenditures from the Fiscal Year 2012 Adopted Budget in the Publishing Services Fund. This resulted in a projected savings of approximately \$231,000 to client departments in the General Fund (\$664,000 citywide) for the first year of implementation effective November 2011. Managed competition processes are currently underway for fleet maintenance,



street sweeping, Public Utilities Customer Service areas, street and sidewalk maintenance, and landfill operations.

## City Management Program

The City Management Program (CMP) integrates strategic planning and performance monitoring efforts with the budget decision-making process. Its goal is to create a more strategically-oriented organization that optimizes its operations to serve the City's residents in the most effective and efficient way possible. Consistent with Balanced Scorecard principles, the CMP is designed to infuse accountability for performance into City services at every level of the organization. In addition, the CMP improves communication within the City and to the residents of the City, it instills accountability into our actions, and supports data-based decision making.

Being strategic and proactive in its approach to governance is integral to achieving the City's goals. The CMP is intended to ensure that the City creates and adheres to its goals and priorities. The use of strategic planning enables the City to map its goals and manage the tools and resources necessary for achieving them. The strategic planning process takes a top-down approach beginning with the formulation of the City Strategic Plan at the citywide level and subsequent development of tactical plans at the department level that are aligned with it.

New goals and objectives for Fiscal Year 2012 and sizing/workload data have not been included in the department budget narratives because of changes resulting from budget reductions and updates planned for the City Strategic Plan. Implementation of changes resulting from budget reductions occurred in phases over the course of Fiscal Year 2011, making it difficult to provide reliable projections of service levels and performance targets. In addition, future updates of the City's Strategic Plan will likely result in new City goals, objectives, strategies, and performance measures. However, key performance measures for each Mayoral department and some non-Mayoral departments<sup>1</sup> have been included in the Key Performance Indicators section in Volume II. This section includes measures considered by the departments to be integral in achieving their mission, as well as supportive of the City's Strategic Plan. For the Fiscal Year 2012 Annual Budget, departments have reported their Fiscal Year 2010 and Fiscal Year 2011 actuals for each performance measure to show how current year performance compares with the prior year.

## Conclusion

The Fiscal Year 2012 Adopted Budget for the City totals \$2.80 billion, with \$1.13 billion budgeted in the General Fund. A net total of 113.84 FTE positions have been removed from the City's Fiscal Year 2012 Adopted Budget. This decrease is primarily due to the elimination of 68.68 FTE positions which, in addition to various one-time solutions, were needed to address the projected General Fund shortfall of approximately \$56.7 million in Fiscal Year 2012. With the General Fund cost savings, the restoration of the fire engine companies to eliminate the rolling brownouts that were implemented in Fiscal Years 2010 and 2011 have been incorporated into the Fiscal Year 2012 Adopted Budget. In addition to the General Fund position reductions, approximately 52.59 FTE positions were removed from the Enterprise Funds, primarily due to departmental efficiencies gained as a result of the restructure of the Water and Metropolitan Wastewater Departments into the Public Utilities Department in Fiscal Year 2011.

The Fiscal Year 2012 Adopted Budget incorporates the fiscal policies and initiatives outlined in the Mayor's Fiscal Years 2012–2016 Five-Year Financial Outlook released in February 2011. The Mayor

---

<sup>1</sup> Non-Mayoral departments include the City Auditor, City Clerk, and Office of the IBA. For Non-Mayoral departments, the inclusion of key performance indicators is at the discretion of the department.

## Executive Summary

remains committed to implementing the ten financial reforms needed to achieve the City's goal to resolve our structural budget deficit by Fiscal Year 2013.